



# TOP FORM

INTERNATIONAL LIMITED

STOCK CODE: 333

**2015**

Interim Report



## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 31 December 2014 — unaudited  
(Expressed in Hong Kong dollars)

	Notes	Six months ended 31 December	
		2014 \$'000	2013 \$'000
<b>Revenue</b>		<b>581,649</b>	540,448
Cost of sales		<b>(469,286)</b>	(446,853)
<b>Gross profit</b>		<b>112,363</b>	93,595
Other income and gains		<b>6,039</b>	9,843
Selling and distribution expenses		<b>(12,228)</b>	(10,321)
General and administrative expenses		<b>(84,291)</b>	(80,315)
Finance costs		<b>(187)</b>	(70)
<b>Profit before taxation</b>	4	<b>21,696</b>	12,732
Income tax	5	<b>(4,640)</b>	(3,350)
<b>Profit for the period</b>		<b>17,056</b>	9,382
<b>Attributable to:</b>			
Owners of the Company		<b>16,023</b>	8,402
Non-controlling interests		<b>1,033</b>	980
<b>Profit for the period</b>		<b>17,056</b>	9,382
<b>Profit per share</b>	7		(Restated)
Basic		<b>HK\$0.07</b>	HK\$0.04

The notes on pages 7 to 18 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 2014 — unaudited  
(Expressed in Hong Kong dollars)

	Six months ended	
	31 December	
	2014	2013
	\$'000	\$'000
<b>Profit for the period</b>	<b>17,056</b>	9,382
<b>Other comprehensive income for the period (after nil tax adjustments):</b>		
Item that may be subsequently reclassified to profit or loss:		
— Exchange differences arising on translation of overseas operations	<b>114</b>	318
<b>Total comprehensive income for the period</b>	<b>17,170</b>	9,700
<b>Attributable to:</b>		
Owners of the Company	<b>16,124</b>	8,607
Non-controlling interests	<b>1,046</b>	1,093
<b>Total comprehensive income for the period</b>	<b>17,170</b>	9,700

The notes on pages 7 to 18 form part of this interim financial report.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014 — unaudited  
(Expressed in Hong Kong dollars)

		At 31 December 2014 \$'000	At 30 June 2014 \$'000
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment	8	121,445	125,871
Prepaid lease payments		1,599	1,623
Investment properties	8	101,553	101,553
Prepaid rental payments		2,310	3,075
		<b>226,907</b>	232,122
<b>Current assets</b>			
Inventories		178,748	177,347
Debtors and other receivables	9	163,600	188,892
Bills receivable	10	1,063	2,982
Prepaid lease payments		48	48
Current tax recoverable		519	1,136
Bank balances and cash		176,663	129,160
		<b>520,641</b>	499,565
<b>Current liabilities</b>			
Creditors and accrued charges	11	144,307	125,575
Current tax payable		6,848	2,619
		<b>151,155</b>	128,194
<b>Net current assets</b>		<b>369,486</b>	371,371
<b>Total assets less current liabilities</b>		<b>596,393</b>	603,493

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014 — unaudited  
(Expressed in Hong Kong dollars)

		At 31 December 2014 \$'000	At 30 June 2014 \$'000
	<i>Note</i>		
<b>Non-current liabilities</b>			
Retirement benefit obligations		1,576	1,576
Deferred tax liabilities		23,491	24,257
		<b>25,067</b>	25,833
<hr style="border-top: 1px dashed black;"/>			
<b>NET ASSETS</b>		<b>571,326</b>	577,660
<b>CAPITAL AND RESERVES</b>			
Share capital	12	107,519	107,519
Reserves		444,056	449,436
<b>Equity attributable to owners of the Company</b>		<b>551,575</b>	556,955
<b>Non-controlling interests</b>		<b>19,751</b>	20,705
<b>TOTAL EQUITY</b>		<b>571,326</b>	577,660

The notes on pages 7 to 18 form part of this interim financial report.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2014 — unaudited  
(Expressed in Hong Kong dollars)

Note	Attributable to owners of the Company							Total \$'000	Non- controlling interests \$'000	Total \$'000
	Share capital \$'000	Share premium \$'000	Capital redemption reserve \$'000	Special reserve \$'000 (note)	Asset revaluation reserve \$'000	Translation reserve \$'000	Retained profits \$'000			
<b>Balance at 1 July 2013</b>	107,519	1,499	233	7,139	39,799	14,481	329,153	499,823	18,543	518,366
Exchange difference arising on translation of overseas operations	-	-	-	-	-	205	-	205	113	318
Profit for the period	-	-	-	-	-	-	8,402	8,402	980	9,382
Total comprehensive income	-	-	-	-	-	205	8,402	8,607	1,093	9,700
<b>Balance at 31 December 2013 and 1 January 2014</b>	107,519	1,499	233	7,139	39,799	14,686	337,555	508,430	19,636	528,066
Exchange difference arising on translation of overseas operations	-	-	-	-	-	(2,151)	-	(2,151)	(229)	(2,380)
Gain on revaluation of properties upon transfer to investment properties	-	-	-	-	41,872	-	-	41,872	-	41,872
Deferred tax liabilities arising on gain on revaluation of properties upon transfer	-	-	-	-	(9,172)	-	-	(9,172)	-	(9,172)
Remeasurement of provision for long service payments	-	-	-	-	-	-	104	104	-	104
Profit for the period	-	-	-	-	-	-	28,624	28,624	1,298	29,922
Total comprehensive income	-	-	-	-	32,700	(2,151)	28,728	59,277	1,069	60,346
Dividends paid	-	-	-	-	-	-	(10,752)	(10,752)	-	(10,752)
<b>Balance at 30 June 2014 and 1 July 2014</b>	107,519	1,499	233	7,139	72,499	12,535	355,531	556,955	20,705	577,660
Exchange difference arising on translation of overseas operations	-	-	-	-	-	101	-	101	13	114
Profit for the period	-	-	-	-	-	-	16,023	16,023	1,033	17,056
Total comprehensive income	-	-	-	-	-	101	16,023	16,124	1,046	17,170
Dividends paid	6	-	-	-	-	-	(21,504)	(21,504)	(2,000)	(23,504)
<b>Balance at 31 December 2014</b>	107,519	1,499	233	7,139	72,499	12,636	350,050	551,575	19,751	571,326

**Note:** 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 7 to 18 form part of this interim financial report.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2014 — unaudited  
(Expressed in Hong Kong dollars)

	Six months ended 31 December	
	2014 \$'000	2013 \$'000
<b>Net cash generated from operating activities</b>	<b>78,363</b>	5,642
<b>Investing activities</b>		
Purchase of property, plant and equipment	(8,522)	(8,891)
Proceeds from disposal of property, plant and equipment	144	501
Interest income	1,174	837
<b>Net cash used in investing activities</b>	<b>(7,204)</b>	(7,553)
<b>Financing activities</b>		
Interest paid	(187)	(70)
Repayment of bank borrowings	–	(459)
New borrowings raised	–	459
Dividends paid to owners of the Company	(21,504)	–
Dividends paid to holders of non-controlling interests	(2,000)	–
<b>Net cash used in financing activities</b>	<b>(23,691)</b>	(70)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>47,468</b>	(1,981)
<b>Cash and cash equivalents at 1 July</b>	<b>129,160</b>	136,010
<b>Effect of foreign exchange rate changes</b>	<b>35</b>	(245)
<b>Cash and cash equivalents at 31 December, represented by bank balances and cash</b>	<b>176,663</b>	133,784

The notes on pages 7 to 18 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 12 February 2015.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements. 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 2014 annual financial statements. The condensed consolidated interim financial statements and notes thereto 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”).



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 19 and 20.

The financial information relating to the financial year ended 30 June 2014 that is included in the interim financial report as comparative information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 30 June 2014 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 2014.

## **2 Changes in accounting policies**

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

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*
- Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*
- Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting*
- HK(IFRIC) 21, *Levies*

None of these 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. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

### **3 Segment information**

Revenue represents the sale value of goods. The Group manages its business as a single unit and, accordingly, the manufacturing and sale of ladies' intimate apparel is the only reportable segment and virtually all of the turnover 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 of the financial information reviewed by executive directors are the same as the Group's accounting policies applied in its 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 2014 and 30 June 2014.

#### 4 Profit before taxation

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

	Six months ended	
	31 December	
	2014	2013
	\$'000	\$'000
<b>(a) Finance costs</b>		
Interest expense on bank borrowings wholly repayable within five years	<b>187</b>	70
<b>(b) Other items</b>		
Depreciation of property, plant and equipment	<b>12,290</b>	14,017
Amortisation of prepaid lease payments	<b>24</b>	24
Allowance for obsolete inventories (included in cost of sales)	<b>5,720</b>	4,516
Exchange loss/(gain), net	<b>3,536</b>	(1,836)
Gain on disposal of property, plant and equipment	<b>(75)</b>	(286)
Interest income	<b>(1,174)</b>	(837)

## 5 Income tax

	Six months ended	
	31 December	
	2014	2013
	\$'000	\$'000
<b>Current tax:</b>		
Hong Kong Profits Tax	<b>4,696</b>	637
Other jurisdictions	<b>710</b>	1,141
	<b>5,406</b>	1,778
<b>Deferred tax:</b>		
(Credit)/charge for the period	<b>(766)</b>	1,572
	<b>4,640</b>	3,350

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

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

The Group has recognised deferred tax liabilities in relation to accelerated tax depreciation and unrealised loss on inventories.

## 6 Dividends

	Six months ended	
	31 December	
	2014	2013
	\$'000	\$'000
<b>2014 final and special dividend declared and paid during the interim period:</b>		
2014 final dividend of \$0.05 per share (2013: \$nil per share) and 2014 special dividend of \$0.05 per share (2013: \$nil per share)	<b>21,504</b>	–
<b>Dividend proposed after the end of the interim period:</b>		
Interim dividend ( <i>notes (a) and (b)</i> )	<b>10,752</b>	10,752

- (a) Subsequent to the end of the interim reporting period, an interim dividend of \$0.05 per share has been declared by the directors of the Company for the six months ended 31 December 2014.
- (b) For the six months ended 31 December 2013, an interim dividend of \$0.01 per share was paid before the share consolidation had taken place. The aggregate interim dividends of every five shares are equivalent to \$0.05 per share after incorporating the effect of share consolidation. Further details of share consolidation are set out in note 12.

## 7 Profit per share

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

	Six months ended 31 December	
	2014	2013
	\$'000	\$'000
Profit for the period attributable to the owners of the Company for the purpose of basic profit per share	<b>16,023</b>	8,402
	Number of shares	Number of shares (Restated)
Number of ordinary shares for the purpose of basic profit per share	215,037,625	215,037,625

There was no dilutive effect on profit per share because there are no dilutive potential ordinary shares outstanding for both periods.

As a result of the share consolidation as disclosed in note 12, the number of ordinary shares for the purpose of computing basic profit per share for the six months ended 31 December 2013 has been restated as if the share consolidation had taken place on 1 July 2013.

## 8 Movements in property, plant and equipment and investment properties

During the period, the Group acquired items of property, plant and equipment with a cost of \$8,522,000 (six months ended 31 December 2013: \$8,891,000).

The Group's investment properties carried at fair value as at the end of the current interim period 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 investment properties for the six months ended 31 December 2014 (six months ended 31 December 2013: \$nil).

## 9 Debtors and other receivables

Included in the balance are trade debtors of \$139,279,000 (at 30 June 2014: \$167,983,000). The Group allows an average credit period of 30 days to its trade customers.

The management of the Company assesses the credit quality of the trade debtors based on the payment due date. An ageing analysis of trade debtors based on the payment due date, at the end of the reporting period is as follows:

	At 31 December 2014 \$'000	At 30 June 2014 \$'000
Current	125,633	128,281
1–30 days overdue	10,997	38,131
31–60 days overdue	1,790	736
Over 60 days overdue	859	835
	<b>139,279</b>	167,983

As the Group's average credit period is 30 days, a majority of the balances which as disclosed above are within 90 days from the invoice date.

## 10 Bills receivable

As at 31 December 2014 and 30 June 2014, all bills receivable are aged within 30 days. The Group does not hold any collateral over these balances.

## 11 Creditors and accrued charges

Included in the balance are trade creditors of \$79,057,000 (at 30 June 2014: \$64,165,000). The average credit period for purchases of goods is 30 days.

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

	At 31 December 2014 \$'000	At 30 June 2014 \$'000
Current	<b>66,439</b>	53,453
1–30 days overdue	<b>9,376</b>	7,448
31–60 days overdue	<b>3,076</b>	2,465
Over 60 days overdue	<b>166</b>	799
	<b>79,057</b>	64,165

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



## 12 Share capital

	At 31 December 2014		At 30 June 2014	
	No. of shares	Amount \$'000	No. of shares	Amount \$'000
<b>Ordinary shares of \$0.50 each</b>				
<i>Authorised:</i>				
At 1 July	<b>300,000,000</b>	<b>150,000</b>	1,500,000,000	150,000
Shares consolidation	-	-	(1,200,000,000)	-
At 31 December/30 June	<b>300,000,000</b>	<b>150,000</b>	300,000,000	150,000
<i>Issued and fully paid:</i>				
At 1 July	<b>215,037,625</b>	<b>107,519</b>	1,075,188,125	107,519
Shares consolidation	-	-	(860,150,500)	-
At 31 December/30 June	<b>215,037,625</b>	<b>107,519</b>	215,037,625	107,519

On 22 May 2014, an ordinary resolution was passed in a special general meeting of the Company that every five issued and unissued shares of \$0.10 each in the share capital of the Company be consolidated into one share of \$0.50 each.

## 13 Fair value measurement of financial instruments

### Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2014 and 31 December 2014.

## 14 Operating lease commitments

### The Group as lessee

At 31 December 2014, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings, which fall due as follows:

	At 31 December 2014 \$'000	At 30 June 2014 \$'000
Within one year	12,051	12,433
In the second to fifth year inclusive	22,526	25,024
After five years	7,148	9,909
	<b>41,725</b>	47,366

Leases are negotiated for lease terms of one to fifteen years with fixed rental over the terms of the relevant leases.

### The Group as lessor

At 31 December 2014, the Group had contracted with tenants for the following future minimum lease payments:

	At 31 December 2014 \$'000	At 30 June 2014 \$'000
Within one year	4,542	4,542
In the second to fifth year inclusive	11,945	13,580
After five years	212	848
	<b>16,699</b>	18,970

## 15 Capital commitments outstanding not provided for in the interim financial report

	At 31 December 2014 \$'000	At 30 June 2014 \$'000
Contracted for	–	3,801

## 16 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 \$45,246,000 (for the six months ended 31 December 2013: \$44,169,000).

As at 31 December 2014, the balance of trade receivables from VdV amounting to approximately \$2,766,000 (at 30 June 2014: \$4,181,000) was included in debtors and other receivables.

As at 31 December 2014 and 30 June 2014, 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 2014 \$'000	2013 \$'000
Salaries and other benefits	8,513	8,704
Retirement benefit scheme contributions	69	60
	<b>8,582</b>	8,764

The remuneration of directors and key management is determined by the 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 1 to 18 which comprises the consolidated statement of financial position of Top Form International Limited (the "Company") as of 31 December 2014 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 statement of cash flows 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 2014 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

12 February 2015

## MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 31 December 2014, the Group recorded an increase in sales, gross profit margin and profit after taxation when compared with the corresponding period last year.

Sales revenue increased by 8% from HK\$540 million to HK\$582 million, whilst profit attributable to the Group increased by 91%, from HK\$8 million to HK\$16 million.

During the period, in monetary terms, 52% of our sales were to the US market whilst sales to the EU represented 28% and the rest of the world accounted for 20%. While less than 6% of our sales revenue are received in EURO, the weakening in EURO against US dollar resulted in a foreign exchange loss of HK\$1.6 million recorded in the current period.

China accounted for 49% of our global output, Thailand 46% and Cambodia 5%. During the six months period under review, gross profit margin increased from 17% to 19% whilst it remained flat when compared with the second half of last fiscal year. Labor shortage and rising labor costs continued to impact the manufacturing operations. This cost pressure was eased by the favorable currency movement of Thai Baht and RMB against US dollar to our manufacturing operations during the period. Material prices remained stable.

The production performance of all regions we operate remained stable during the six months period under review. The dwindling supply of labor force continues to be the major challenge of our operations in China. We have further expanded the capacity of our Thailand plants by adding new headcounts while maintaining the existing China capacity. In November, the Ministry of Labor in Phnom Penh, Cambodia announced further increase in statutory minimum wage by 28% with effect from 1 January 2015. Meanwhile, this new minimum wage level in Cambodia remains the lowest amongst our portfolio of production locations. We will continue to improve the cost efficiency and productivity of the Cambodian plant. We will be mindful of the dispute between the Cambodian government and labor unions when considering further development in this country.

The new satellite plant in Myanmar was originally scheduled to start operation in this fiscal year. It is expected to be delayed as we are waiting for certain registration documents from the local authority. We will closely monitor the progress and review our options on the operations. We remain optimistic on the business opportunities in this country.

Corporate expenditure for the period amounted to HK\$6.4 million compared to HK\$6.9 million in the corresponding period last year and capital expenditure was HK\$8.5 million for the current period.

The financial position of the Group is healthy with shareholders' funds standing at HK\$552 million as at 31 December 2014. Credit facilities available to the Group amounted to HK\$159 million.

Your Board of Directors has resolved to pay an interim dividend of HK\$0.05 per share.

Looking ahead, the market situation remains lackluster. The plunge in global oil prices together with the launch of new quantitative easing program in the Euro zone brings about uncertainties in the global economy. Consumer behavior in our major markets remains cautious and spending continues to be price driven. Starting from 1 January 2015, further increase in the mandated social benefit rate in the PRC and the increase in statutory minimum wage in Cambodia has added cost pressure to our manufacturing operations. Given the challenging market conditions and operating environment, we will continue to manage our capacity efficiently and cautiously expand our offshore plants with the objectives of maintaining our competitiveness as well as sustaining the growth of the business.

## DIRECTORS' INTERESTS

As at 31 December 2014, the interests and short positions of the Directors 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") as recorded 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, 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 (Note 1)	Percentage of the issued share capital of the Company (Note 2)
Fung Wai Yiu	Beneficial owner and interests held by spouse (note 3)	8,705,704	4.05%
Wong Chung Chong	Beneficial owner and interests held by spouse and trust (note 4)	39,426,823	18.33%
Wong Kai Chi, Kenneth	Beneficiary of trust (note 5)	35,118,319	16.33%
Wong Kai Chung, Kevin	Beneficiary of trust (note 5)	35,118,319	16.33%
Marvin Bienenfeld	Beneficial owner	170,000	0.08%
Chow Yu Chun, Alexander	Beneficial owner	680,104	0.32%
Leung Churk Yin, Jeanny	Beneficial owner	14,104	0.01%
Leung Ying Wah, Lambert	Beneficial owner	80,000	0.04%
Herman Van de Velde	Interests held by a controlled corporation (note 6)	55,184,708	25.66%

Notes:

- With effect from 23 May 2014, every five issued and unissued shares of HK\$0.10 each were consolidated into one consolidated share of HK\$0.50 each.
- With effect from 23 May 2014, the number of issued shares were consolidated from 1,075,188,125 shares into 215,037,625 shares.



3. 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.
4. 4,088,504 shares were beneficially owned by Mr. Wong Chung Chong ("Mr. Wong") whereas 220,000 shares were held by the spouse of Mr. Wong and 35,118,319 shares were registered in the name of High Union Holdings Inc., the shares of which were held by Safeguard Trustee Limited, a trustee of a family trust of which Mr. Wong is the settlor and the family members of Mr. Wong were eligible beneficiaries.
5. 35,118,319 shares were registered in the name of High Union Holdings Inc., the shares of which were held by Safeguard Trustee Limited, a trustee of a family trust of which Mr. Wong Kai Chi, Kenneth and Mr. Wong Kai Chung, Kevin were eligible beneficiaries.
6. 55,184,708 shares were held by Van de Velde N.V. ("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.

Certain nominee shares in the Company's subsidiaries were held by Mr. Wong in trust for the Company's subsidiaries as at 31 December 2014.

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 2014, the interests and short positions of the persons (other than the Directors) in the shares, underlying shares and debentures of the Company as recorded in the register maintained by the Company pursuant to section 336 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 <i>(Note 1)</i>	Percentage of the issued share capital of the Company <i>(Note 2)</i>
Van de Velde N.V.	Beneficial owner	55,184,708	25.66%
High Union Holdings Inc.	Beneficial owner	35,118,319	16.33%
V. F. Corporation	Beneficial owner	21,200,000	9.86%

#### Notes:

1. With effect from 23 May 2014, every five issued and unissued shares of HK\$0.10 each were consolidated into one consolidated share of HK\$0.50 each.
2. With effect from 23 May 2014, the number of issued shares were consolidated from 1,075,188,125 shares into 215,037,625 shares.

## 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 2014, no share options were held by Directors and employees of the Company, and no share options were granted, exercised, cancelled or lapsed under the Scheme.

## **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 2014.

## **INTERIM DIVIDEND**

The Board has resolved to declare the payment of an interim dividend of HK\$0.05 per share for the six months ended 31 December 2014 (six months ended 31 December 2013: HK\$0.01 per share before 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), with the aggregate interim dividends of every five shares equivalent to HK\$0.05 per share after incorporating the effect of the share consolidation) to its shareholders whose names will appear on the registers of members of the Company on 6 March 2015. The interim dividend will be paid on 18 March 2015.

## **CLOSURE OF REGISTERS OF MEMBERS**

The main and branch registers of members of the Company will be closed on 4 March 2015 to 6 March 2015 for interim dividend. During the period, no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 3 March 2015.

## **AUDIT COMMITTEE**

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

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

The Company's unaudited interim financial report for the six months ended 31 December 2014 has been reviewed by the Audit Committee and KPMG, auditor of the Company.

## CORPORATE GOVERNANCE

During the six months ended 31 December 2014, the Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules (“Listing Rules”) Governing the Listing of Securities on the Stock Exchange, except for the following deviations:

### Code Provisions A.2.1, A.4.1 and A.4.2

Code Provision A.2.1 provides that the role of chairman and chief executive should be separated and should not be performed by the same individual.

Since 31 October 2014, Mr. Fung Wai Yiu has retired as the Chairman and has been re-designated as the Non-executive Director of the Company and Mr. Wong Chung Chong (“Mr. Wong”) has taken over the role of Chairman in addition to his current role as the Group Managing Director of the Company. Mr. Wong is the co-founder of the Group and is well versed with the Group’s business operations. He attains extensive experience and is very knowledgeable in the brassiere manufacturing industry. The Board considers that the assumption of the role of Chairman by Mr. Wong in addition to his current role as the Group Managing Director will ensure the stability and smooth transition of the Group during the interim period.

Code Provision A.4.1 provides 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. However, they are 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 also 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 and the Group Managing Director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. In the opinion of the Board, the continuity of leadership in the roles of Chairman and Group Managing Director of the Company is important for the stability and growth of the Company and, in consequence, the Board is of the view that Mr. Wong as the Chairman and Group Managing Director of the Company should not be subject to retirement by rotation or hold office for a limited term at the present time.

## **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 as its own code for dealing in securities of the Company by the Directors. Based on specific enquiry of all its Directors, the Company considers that the Directors complied with the required standards set out in the Model Code throughout the period under review.

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

## **CHANGES ON DIRECTORS’ INFORMATION**

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes and updated information regarding certain Directors of the Company since the publication of the 2014 Annual Report of the Company is set out below:

Mr. Fung Wai Yiu (“Mr. Fung”) has retired as the Chairman and has been re-designated as the Non-executive Director of the Company with effect from 31 October 2014. Mr. Fung is entitled to an annual director fee of HK\$200,000 following his re-designation.

Mr. Wong Chung Chong has been appointed as the Chairman of the Company in addition to his current role as the Group Managing Director of the Company with effect from 31 October 2014.

Mr. Chow Yu Chun, Alexander has been appointed as an Independent Non-executive Director of Symphony Holdings Ltd., a company listed on the Stock Exchange, with effect from 15 December 2014.

## EMPLOYEES

As at 31 December 2014, the Group had employed approximately 8,162 employees (30 June 2014: approximately 7,937 employees). The remuneration policy and package of the Group's employees are structured by reference to market terms and statutory requirements as appropriate. In addition, the Group also provides other staff benefits such as medical insurance, mandatory provident fund contributions and a share option scheme to its employees.

On behalf of the Board

**Top Form International Limited**

**Wong Chung Chong**

*Chairman and Group Managing Director*

12 February 2015