TOP FORM
INTERNATIONAL LIMITED

STOCK CODE : 333

INTERIM REPORT
2010

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2009

	NOTES	For the six months ended 31 December 2009 HK$'000 (Unaudited)	2008 HK$'000 (Unaudited)
Revenue	3	**633,208**	719,870
Cost of sales		**(495,577)**	(576,048)
Gross profit		**137,631**	143,822
Other income		**2,741**	6,745
Selling and distribution expenses		**(14,822)**	(32,548)
General and administrative expenses		**(82,881)**	(92,334)
Provision and impairment losses	4	**–**	(21,951)
Other expenses	5	**–**	(9,219)
Finance costs		**(15)**	(103)
Profit (loss) before taxation	6	**42,654**	(5,588)
Income tax expense	7	**(8,814)**	(5,035)
Profit (loss) for the period		**33,840**	(10,623)
Attributable to:			
Owners of the Company		**30,825**	(10,457)
Non-controlling interests		**3,015**	(166)
		33,840	(10,623)
Earnings (loss) per share	9		
Basic		**2.9 cents**	(1.0 cent)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2009

	For the six months ended 31 December	
	2009	2008
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Profit (loss) for the period	**33,840**	(10,623)
Other comprehensive income		
Exchange differences arising on translation of foreign operations	**(168)**	(2,604)
Total comprehensive income (loss) for the period	**33,672**	(13,227)
Total comprehensive income (loss) attributable to:		
Owners of the Company	**30,549**	(12,823)
Non-controlling interests	**3,123**	(404)
	33,672	(13,227)

CONDENSED CONSOLIDATED BALANCE SHEET

At 31 December 2009

	NOTES	31 December 2009 HK$'000 (Unaudited)	30 June 2009 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	10	**144,500**	148,644
Prepaid lease payments		**1,839**	1,861
Prepaid rental payments		**7,692**	5,144
Interest in an associate		**–**	–
Deferred tax assets		**1,803**	2,401
		155,834	158,050
Current assets			
Inventories		**244,210**	162,920
Debtors, deposits and prepayments	11	**145,811**	150,477
Bills receivable	12	**25,066**	20,489
Prepaid lease payments		**72**	104
Tax recoverable	7	**87,286**	13,289
Bank balances and cash		**207,483**	318,314
		709,928	665,593
Current liabilities			
Creditors and accrued charges	13	**154,356**	124,158
Taxation		**127,880**	121,508
Bank borrowings and other liabilities – due within one year	14	**379**	604
Obligations under finance leases – due within one year		**126**	124
		282,741	246,394
Net current assets		**427,187**	419,199
Total assets less current liabilities		**583,021**	577,249

	NOTE	31 December 2009 HK$'000 (Unaudited)	30 June 2009 HK$'000 (Audited)
Non-current liabilities			
Obligations under finance leases – due after one year		**71**	135
Retirement benefit obligations		**10,227**	10,089
Deferred tax liabilities		**3,396**	4,175
		13,694	14,399
		569,327	562,850
Capital and reserves			
Share capital	*15*	**107,519**	107,519
Reserves		**441,928**	438,259
Equity attributable to owners of the Company		**549,447**	545,778
Non-controlling interests		**19,880**	17,072
		569,327	562,850

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Special reserve HK$'000 *(note)*	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 July 2008 (audited)	107,519	1,499	233	7,139	14,350	427,678	558,418	18,435	576,853
Exchange difference arising on translation of overseas operations	–	–	–	–	(2,366)	–	(2,366)	(238)	(2,604)
Loss for the period	–	–	–	–	–	(10,457)	(10,457)	(166)	(10,623)
Total comprehensive loss for the period	–	–	–	–	(2,366)	(10,457)	(12,823)	(404)	(13,227)
At 31 December 2008 (unaudited)	107,519	1,499	233	7,139	11,984	417,221	545,595	18,031	563,626
Exchange difference arising on translation of overseas operations	–	–	–	–	2,331	–	2,331	220	2,551
Loss for the period	–	–	–	–	–	(2,148)	(2,148)	(1,179)	(3,327)
Total comprehensive income (loss) for the period	–	–	–	–	2,331	(2,148)	183	(959)	(776)
At 30 June 2009 (audited)	107,519	1,499	233	7,139	14,315	415,073	545,778	17,072	562,850
Exchange difference arising on translation of overseas operations	–	–	–	–	(276)	–	(276)	108	(168)
Profit for the period	–	–	–	–	–	30,825	30,825	3,015	33,840
Total comprehensive income for the period	–	–	–	–	(276)	30,825	30,549	3,123	33,672
Dividends recognised as distribution *(note 8)*	–	–	–	–	–	(26,880)	(26,880)	(315)	(27,195)
At 31 December 2009 (unaudited)	107,519	1,499	233	7,139	14,039	419,018	549,447	19,880	569,327

Note: Special reserve represents the difference between the nominal amount of the share capital issued by the Company in exchange for the nominal amount of share capital of companies forming the Group, pursuant to the group reorganisation in 1991.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

	For the six months ended 31 December	
	2009	2008
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	**(73,510)**	(1,609)
Net cash used in investing activities:		
Purchase of property, plant and equipment	**(9,747)**	(6,757)
Proceeds from disposal of property, plant and equipment	**72**	146
Interest income	**261**	1,778
	(9,414)	(4,833)
Net cash used in financing activities:		
Dividend paid	**(26,880)**	–
Repayment of borrowings	**(5,640)**	(8,342)
Dividend paid to non-controlling interests of a subsidiary	**(315)**	–
Repayment of obligations under finance leases	**(66)**	(114)
New borrowings raised	**5,415**	7,578
	(27,486)	(878)
Net decrease in cash and cash equivalents	**(110,410)**	(7,320)
Cash and cash equivalents at the beginning of the period	**318,314**	211,659
Effect of foreign exchange rate changes	**(421)**	(4,229)
Cash and cash equivalents at the end of the period, represented by bank balances and cash	**207,483**	200,110

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2009.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 3 (Revised)	Business Combinations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK(IFRIC) – Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendments to HKFRS 2, HKAS 38, paragraph 80 to HKAS 39, HK(IFRIC) – Int 9 and HK(IFRIC) – Int 16

Except as described below, the application of the new and revised HKFRSs had no material effect on the condensed consolidated financial statements of the Group.

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the condensed consolidated financial statements) and changes in the format and content of the condensed consolidated financial statements.

HKAS 23 (Revised 2007) Borrowing Costs

In previous years, the Group expensed all borrowing costs that were directly attributable to the acquisition, construction or production of a qualifying asset when they were incurred. HKAS 23 (Revised 2007) removes the option previously available to expense all borrowing costs when incurred. The adoption of HKAS 23 (Revised 2007) has resulted in the Group changing its accounting policy to capitalise all such borrowing costs as part of the cost of the qualifying asset.

The application of HKAS 23 (Revised 2007) had no material effect on the condensed consolidated financial statements of the Group.

HKFRS 3 (Revised) Business Combinations
HKAS 27 (Revised) Consolidated and Separate Financial Statements

The application of HKFRS 3 (Revised) affects the accounting for business combinations of which the acquisition date is after 1 July 2009. HKAS 27 (Revised) affects the accounting treatment for changes in parent's ownership interest in a subsidiary that do not result in loss of control of the subsidiary.

The impact of HKFRS 3 (Revised) has been:

- To allow a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as "minority" interests) either at fair value or at the non-controlling interests' share of the fair value of the identifiable net assets of the acquiree.

- To change the recognition and subsequent accounting requirements for contingent consideration. Whereas, under the previous version of the Standard, contingent consideration was recognised at the acquisition date only if it met probability and reliably measurable criteria, under the revised Standard the consideration for the acquisition always includes the fair value of any contingent consideration. Once the fair value of the contingent consideration at the acquisition date has been determined, subsequent adjustments are made against the cost of the acquisition only to the extent that

  (i) they reflect fair value at the acquisition date,

  (ii) they occur within the "measurement period" (a maximum of 12 months from the acquisition date). Under the previous version of the Standard, adjustments to consideration were always made against the cost of the acquisition; and

- To require acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being expensed when incurred, whereas previously they were accounted for as part of the cost of acquisition.

HKAS 27 (Revised) specifies the accounting policies regarding increases or decreases in ownership interests in subsidiaries of the Group. Under HKAS 27 (Revised), all increases or decreases in interests in subsidiaries that did not involve loss of control are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires that the Group derecognises all assets, liabilities and non-controlling interests at their carrying amount. Any retained interest in the former subsidiary is recognised at its fair value at the date the control is lost with the resulting gain or loss being recognised in profit or loss.

The application of HKFRS 3 (Revised) and HKAS 27 (Revised) had no material effect on the condensed consolidated financial statements of the Group.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2009 in relation to HKAS 1, HKAS 7, HKAS 17, HKAS 30, HKAS 39, HKFRS 5 and HKFRS 8[1]
HKAS 24 (Revised)	Related Party Disclosures[3]
HKAS 32 (Amendment)	Classification of Rights Issues[2]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[1]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[4]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[1]
HKFRS 9	Financial Instruments[5]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[3]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[4]

1 *Effective for annual periods beginning on or after 1 January 2010.*

2 *Effective for annual periods beginning on or after 1 February 2010.*

3 *Effective for annual periods beginning on or after 1 January 2011.*

4 *Effective for annual periods beginning on or after 1 July 2010.*

5 *Effective for annual periods beginning on or after 1 January 2013.*

As part of *Improvements to HKFRSs* issued in 2009, HKAS 17 *Leases* has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, leasees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated balance sheet. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification of the Group's leasehold land.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements of the Group.

3. SEGMENT INFORMATION

The Group has adopted HKFRS 8 *Operating Segments* with effect from 1 July 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision makers in order to allocate resources to segments and to assess their performance. In contrast, the predecessor standard, HKAS 14 *Segment Reporting*, required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments.

In the past, the Group's primary segment reporting format was based on type of business carried out by the Group being manufacturing and brand business. The application of HKFRS 8 has not resulted in a redesignation of the Group's operating segments for the six months ended 31 December 2008. Subsequent to the closure of the brand business in the year ended 30 June 2009, for the purpose of resources allocation and performance assessment, the Group's executive directors, being the Group's chief operating decision makers, review the operations on a plant by plant basis. No discrete financial information is available for each plant and the Group's executive directors review financial information on a consolidated basis. The Group has therefore only one operating segment for the six months ended 31 December 2009.

The following is an analysis of the Group's revenue and results by operating segment for the six months ended 31 December 2008:

	Manufacturing business	**Brand business**	**Elimination**	**Consolidated**
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue				
External sales	709,130	10,740	–	719,870
Inter-segment sales *(note 1)*	3,561	–	(3,561)	–
Total sales	712,691	10,740	(3,561)	719,870
Results				
Segment results *(note 2)*	36,206	(27,144)	–	9,062
Unallocated corporate expenses *(note 3)*				(16,325)
Interest income				1,778
Finance costs				(103)
Loss before taxation				(5,588)

Notes:

(1) Inter-segment sales were charged at prevailing market rates.

(2) Included in the segment results of brand business was the provision and impairment losses of approximately HK$21,951,000. Details are set out in note 4.

(3) The amount included professional fees and other expenses amounting to approximately HK$9,219,000. Details are set out in note 5.

Segment profit represents profit earned by each segment without allocation of corporate expenses, interest income and finance costs. This is the measure reported to the Group's chief operating decision makers for the purposes of resource allocation and performance assessment.

The Group's segment assets and liabilities are all under the manufacturing business as at 31 December 2009 and 30 June 2009.

4. PROVISION AND IMPAIRMENT LOSSES

Following the decision made to exit the brand business, a provision and impairment losses of HK$21,951,000 had been recognised during the six months ended 31 December 2008. The nature of provision and impairment losses were as follows:

	For the six months ended 31 December 2008 HK$'000 (Unaudited)
Impairment losses recognised in respect of inventories	16,109
Provision for exit costs	5,240
Impairment losses recognised in respect of property, plant and equipment	602
	21,951

5. OTHER EXPENSES

On 26 July 2008, Top Form (B.V.I.) Limited ("TFBVI"), a wholly-owned subsidiary of the Company, entered into a conditional share acquisition agreement ("Share Acquisition Agreement") to acquire the entire issued share capital of Ace Style Intimate Apparel Limited, Elkhorn Enterprise Limited, Tavistock Springs (H.K.) Limited and Carina Apparel Inc. from Ace Style International Limited, Mr. Andrew Sia and the other five vendors (collectively referred to as the "Vendors").

On 24 November 2008, the Vendors, the Company and TFBVI entered into an agreement to terminate the Share Acquisition Agreement with effect from the same date.

As a result, professional fees and other expenses amounting to HK$9,219,000, relating to the aborted acquisition were recognised as expense in the consolidated income statement during the six months ended 31 December 2008.

6. PROFIT (LOSS) BEFORE TAXATION

	For the six months ended 31 December	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Profit (loss) before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	**14,191**	12,055
Amortisation of prepaid lease payments	**54**	56
Cost of textile quota entitlements	**–**	2,178
Loss on disposal of property, plant and equipment	**6**	526
Severance payments and other costs	**6,233**	–
and after crediting:		
Quota income	**–**	2,127
Interest income	**261**	1,778

The Group has transferred the manufacturing operations of a plant located in the vicinity of Bangkok to a regional facility incurring severance payments and other costs amounting to approximately HK$6,233,000 as an expense in the consolidated income statement during the six months ended 31 December 2009.

7. INCOME TAX EXPENSE

	For the six months ended 31 December 2009 (Unaudited) HK$'000	2008 (Unaudited) HK$'000
The charge comprises:		
Current tax:		
Hong Kong Profits Tax	**5,582**	4,611
Other jurisdictions	**3,413**	2,776
	8,995	7,387
Overprovision in prior years		
Hong Kong Profits Tax	**–**	(26)
Deferred taxation:		
Credit for the period	**(181)**	(2,326)
	8,814	5,035

Hong Kong Profits Tax rate used is 16.5% for the six months ended 31 December 2009 (six months ended 31 December 2008: 16.5%).

During the year ended 30 June 2008, the Hong Kong Inland Revenue Department (the "IRD") initiated a tax audit on certain subsidiaries of the Company for the years of assessment from 2001/02 to 2006/07. The IRD has requested information and documents of certain subsidiaries of the Group for the purpose of the tax audit.

During the year ended 30 June 2009, the IRD issued the notices of estimated assessment demanding final tax for the year of assessment 2002/03 on certain subsidiaries and the estimated assessment was settled in the form of a tax reserve certificate ("TRC") amounting to HK$3,520,000.

During the period ended 31 December 2009, the IRD further issued notices of estimated assessment demanding final tax on certain subsidiaries for the years of assessment from 2003/04 to 2007/08. TRC amounting to HK$74,400,000 relating to these estimated assessments were purchased.

Given the tax provided, no provision for additional income tax, if any, arising from the ongoing tax audit by the IRD has been recognised as such an amount cannot be reliably estimated at this stage.

Taxation arising in other jurisdictions is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used is 20% for the six months ended 31 December 2009 (six months ended 31 December 2008: 20%) calculated at the rates prevailing in the relevant jurisdictions.

The Group has recognised deferred tax assets in relation to the unused tax losses of a subsidiary and deferred tax liabilities in relation to accelerated tax depreciation.

8. DIVIDENDS

	For the six months ended 31 December	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Dividend paid:		
2009 final dividend paid:		
HK$0.025 per share on 1,075,188,125 shares	**26,880**	–
Dividend declared:		
Interim dividend *(Note)*	**16,128**	–

Note: An interim dividend of HK$0.015 per share (six months ended 31 December 2008: Nil) has been declared by the directors of the Company for the six months ended 31 December 2009.

9. EARNINGS (LOSS) PER SHARE

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

	For the six months ended 31 December	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Profit (loss) attributable to the owners of the Company for the purpose of basic earnings (loss) per share	**30,825**	(10,457)
	Number of shares	
Number of ordinary shares for the purpose of basic earnings (loss) per share	**1,075,188,125**	1,075,188,125

No diluted earnings (loss) per share has been presented because there are no potential ordinary shares outstanding for both periods.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, additions of property, plant and equipment amounted to HK$9,747,000 (six months ended 31 December 2008: HK$6,757,000).

11. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in the balance are trade debtors of HK$120,689,000 (at 30 June 2009: HK$125,092,000). The Group allows an average credit period of 30 days to its trade customers.

An aged analysis of trade debtors at the balance sheet date is as follows:

	At 31 December 2009	At 30 June 2009
	(Unaudited)	(Audited)
	HK$'000	HK$'000
0 – 30 days	**118,868**	118,456
31 – 60 days	**1,740**	5,867
61 – 90 days	**54**	751
Over 90 days	**27**	18
	120,689	125,092

12. BILLS RECEIVABLE

Included in the balance is an amount of HK$22,367,000 (at 30 June 2009: HK$17,791,000) aged within 30 days with HK$2,699,000 (at 30 June 2009: HK$2,698,000) aged within 31 to 60 days.

13. CREDITORS AND ACCRUED CHARGES

Included in the balance are trade creditors of HK$79,806,000 (at 30 June 2009: HK$58,015,000).

An aged analysis of trade creditors at the balance sheet date is as follows:

	At 31 December 2009 (Unaudited) HK$'000	At 30 June 2009 (Audited) HK$'000
0 – 30 days	**65,509**	55,547
31 – 60 days	**11,924**	1,256
61 – 90 days	**1,424**	583
Over 90 days	**949**	629
	79,806	58,015

14. BANK BORROWINGS AND OTHER LIABILITIES

	At 31 December 2009 (Unaudited) HK$'000	At 30 June 2009 (Audited) HK$'000
Bank borrowings – trust receipts and import loans	**379**	580
Other unsecured liabilities	**–**	24
	379	604
Less: Amount due within one year shown as current liabilities	**(379)**	(604)
Amount due after one year	**–**	–

15. SHARE CAPITAL

	31 December 2009 Number of shares	30 June 2009 Number of shares	**31 December 2009 HK$'000**	30 June 2009 HK$'000
Ordinary shares of HK$0.10 each				
Authorised:				
At beginning and end of the period/year	**1,500,000,000**	1,500,000,000	**150,000**	150,000
Issued and fully paid:				
At beginning and end of the period/year	**1,075,188,125**	1,075,188,125	**107,519**	107,519

16. OPERATING LEASE COMMITMENTS

At 31 December 2009, the Group had outstanding commitments under non-cancellable operating leases in respect of land and buildings, which fall due as follows:

	At 31 December 2009 (Unaudited) HK$'000	At 30 June 2009 (Audited) HK$'000
Within one year	**10,100**	11,388
In the second to fifth year inclusive	**15,639**	19,957
Over five years	**6,054**	3,994
	31,793	35,339

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

17. RELATED PARTY TRANSACTIONS

(a) During the period, the Group sold finished products of approximately HK$21,056,000 (for the six months ended 31 December 2008: HK$23,008,000) to a related company, Van de Velde N.V. ("VdV").

Messrs. Herman Van de Velde and Lucas A.M. Laureys, directors of the Company, were the controlling shareholders of VdV which held an effective interest of 23.31% in the Company as at 31 December 2009.

As at 31 December 2009, the balance of trade receivables from VdV amounted to approximately HK$26,000 (at 30 June 2009: HK$494,000) was included in debtors, deposits and prepayments.

(b) Compensation of key management personnel

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

	For the six months ended 31 December	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Salaries and other benefits	**6,341**	6,104
Retirement benefit scheme contributions	**18**	18
	6,359	6,122

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 31 December 2009, the Group recorded a profit after taxation of HK$33.8 million compared to a loss of HK$10.6 million in the same period last year. The previous period was adversely affected by the one-off charges relating to our decision to close down the Brand business together with the write-off of professional fees incurred in relation to the aborted acquisition reported last year. For comparison purposes, after adjustment of these charges and write-offs and excluding the trading loss of the Brand business, the previous period would have shown a profit after taxation of HK$25.7 million.

Gross manufacturing margin increased from 19% to 22%.

During the period, in monetary terms, 65% of our sales were to the US market compared to 65% in the first half last year. The EU accounted for 22% (23% in the corresponding period last year) and the rest of the world 13% (12% in the same period last year).

The charges attributable to our corporate cost center amounted to HK$6.9 million, compared to HK$16.3 million in the same period last year. Included in the 2009 charge was some HK$9.2 million of one-off expenses relating to the acquisition noted earlier.

The performance of the Group during the period was as anticipated in our 2009 Annual Report. We trimmed expensive capacity as well as low margin sales. We started to migrate production to our most effective locations and search out new areas for expansion. In addition, the stabilizing effects of governmental initiatives in China, including a freeze on minimum wage levels and an increase in the tax rebate on imported materials for processing and exports of textile and garment products, were noted.

The financial position of the Group remains healthy with shareholders funds standing at HK$549.4 million at 31 December 2009. Credit facilities available to the Group amounted to HK$150 million, of which HK$0.4 million had been utilized.

As detailed in note 7 to the Interim Report, certain subsidiaries of the Company are currently the subject of a tax audit by the IRD in respect of the years of assessment 2001/02 to 2006/07. During the current reporting period the IRD issued notices of estimated assessment for the years of assessment 2003/04 to 2007/08. Tax reserve certificates amounting to HK$74.4 million were purchased relating to these estimated assessments.

Capital expenditure for the period amounted to HK$9.7 million compared to HK$6.8 million in the corresponding period last year.

Your board of Directors has resolved to declare an interim dividend of HK$0.015 per share. No interim dividend was paid last year and a final dividend of HK$0.025 per share was paid in November 2009.

Labour availability and change in industry structure in the Pearl River Delta in China remains a pressing issue with cost and capacity implications, as does a possible increase in minimum wage levels. The appreciation of the RMB against the US dollar is forecast to accelerate in 2010.

Our order book is healthy, following the weakness experienced in the second half of fiscal 2009 and our first quarter of the current fiscal year. The market recovery, however, is characterized by uncertainty and volatility and thus our business approach remains cautious.

The Group will continue to invest in the improvement of its manufacturing structure.

DIRECTORS' INTERESTS

As at 31 December 2009, 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$0.10 each of the Company

Name of Director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Fung Wai Yiu	Beneficial owner and interests held by spouse and trust *(note 1)*	43,308,521	4.03%
Wong Chung Chong, Eddie	Beneficial owner and interests held by spouse and trust *(note 2)*	195,272,118	18.16%
Marvin Bienenfeld	Beneficial owner	770,521	0.07%
Chow Yu Chun, Alexander	Beneficial owner	3,400,521	0.32%

Name of Director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Leung Churk Yin, Jeanny	Beneficial owner	70,521	0.01%
Leung Ying Wah, Lambert	Beneficial owner	400,000	0.04%
Lucas A.M. Laureys	Interests held by controlled corporation *(note 3)*	250,599,544	23.31%
Herman Van de Velde	Interests held by controlled corporation *(note 3)*	250,599,544	23.31%

Notes:

1. 2,126,521 shares were beneficially owned by Mr. Fung Wai Yiu ("Mr. Fung") whereas 216,000 shares were held by the spouse of Mr. Fung. 40,966,000 shares were registered in the name of Fung On Holdings Limited ("Fung On") or its nominee. The shares of Fung On were held by a family trust of which Mr. Fung and his family were eligible beneficiaries.

2. 18,580,521 shares were beneficially owned by Mr. Wong Chung Chong, Eddie ("Mr. Wong"), or his nominees whereas 1,100,000 shares were held by the spouse of Mr. Wong and 175,591,597 shares were registered in the name of High Union Holdings Inc., which shares are held by Safeguard Trustee Limited, a trustee of a family trust of which the family members of Mr. Wong were eligible beneficiaries.

3. 250,599,544 shares were registered in the name of Van de Velde N.V. of which Mr. Lucas A.M. Laureys and Mr. Herman Van de Velde were the controlling shareholders indirectly holding 55.30% of its equity interest.

Certain nominee shares in the Company's subsidiaries were held by Mr. Wong in trust for the Company's subsidiaries as at 31 December 2009.

Save as disclosed above, none of the Directors nor their 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 2009, 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$0.10 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Van de Velde N.V.	Beneficial owner	250,599,544	23.31%
High Union Holdings Inc.	Beneficial owner	175,591,597	16.33%
V.F. Corporation	Beneficial owner	106,000,000	9.86%

SHARE OPTIONS

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 22 November 2001 (the "Adoption Date") for the primary purpose of providing incentives or rewards to the Directors, employees or any other persons at the discretion of the Board of Directors, and the Scheme will expire on 21 November 2011. Under the Scheme, the Board of Directors of the Company may grant options to any employees, including 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 73,560,874 shares (the "Scheme Limited"). With prior approval from the Company's shareholders, the Company may refresh the Scheme Limited by 10% of the shares of the Company in issue as at the date of such shareholders' approval. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital and with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

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

During the six months ended 31 December 2009, no outstanding options were held by Directors and employees of the Company, and, no 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 2009.

INTERIM DIVIDEND

The Board of Directors has resolved to declare an interim dividend of HK$0.015 per share for the six months ended 31 December 2009 (six months ended 31 December 2008: Nil). Shareholders whose names appear on the register of members of the Company on Friday, 12 March 2010 will be entitled to the interim dividend which will be paid on Friday, 19 March 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 10 March 2010 to Friday, 12 March 2010, both days inclusive, during which period no transfer of shares shall be effected. 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 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration by no later than 4:30 p.m. on Tuesday, 9 March 2010.

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 2009 has been reviewed by the Audit Committee and Messrs. Deloitte Touche Tohmatsu, auditor of the Company.

CORPORATE GOVERNANCE

During the six months ended 31 December 2009, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules, except for the following deviations:

Code Provisions A.4.1 and A.4.2

Code 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. 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 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.

Under the Company's Bye-laws, at each annual general meeting one-third of the Directors for the time being or, if their number is not three or a multiple of three, the number nearest to one-third shall retire from office provided that notwithstanding anything herein, the Chairman and the Group Managing Director 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, it is important for the stability and growth of the Company that there is, and is seen to be, continuity of leadership in the roles of Chairman and Group Managing Director and, in consequence, the Board is of the view that both 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 price sensitive 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 2009, the Group had approximately 11,449 employees (30 June 2009: approximately 10,692 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 and a share option scheme to its employees.

On behalf of the Board
Top Form International Limited
Fung Wai Yiu
Chairman

Hong Kong, 19 February 2010