

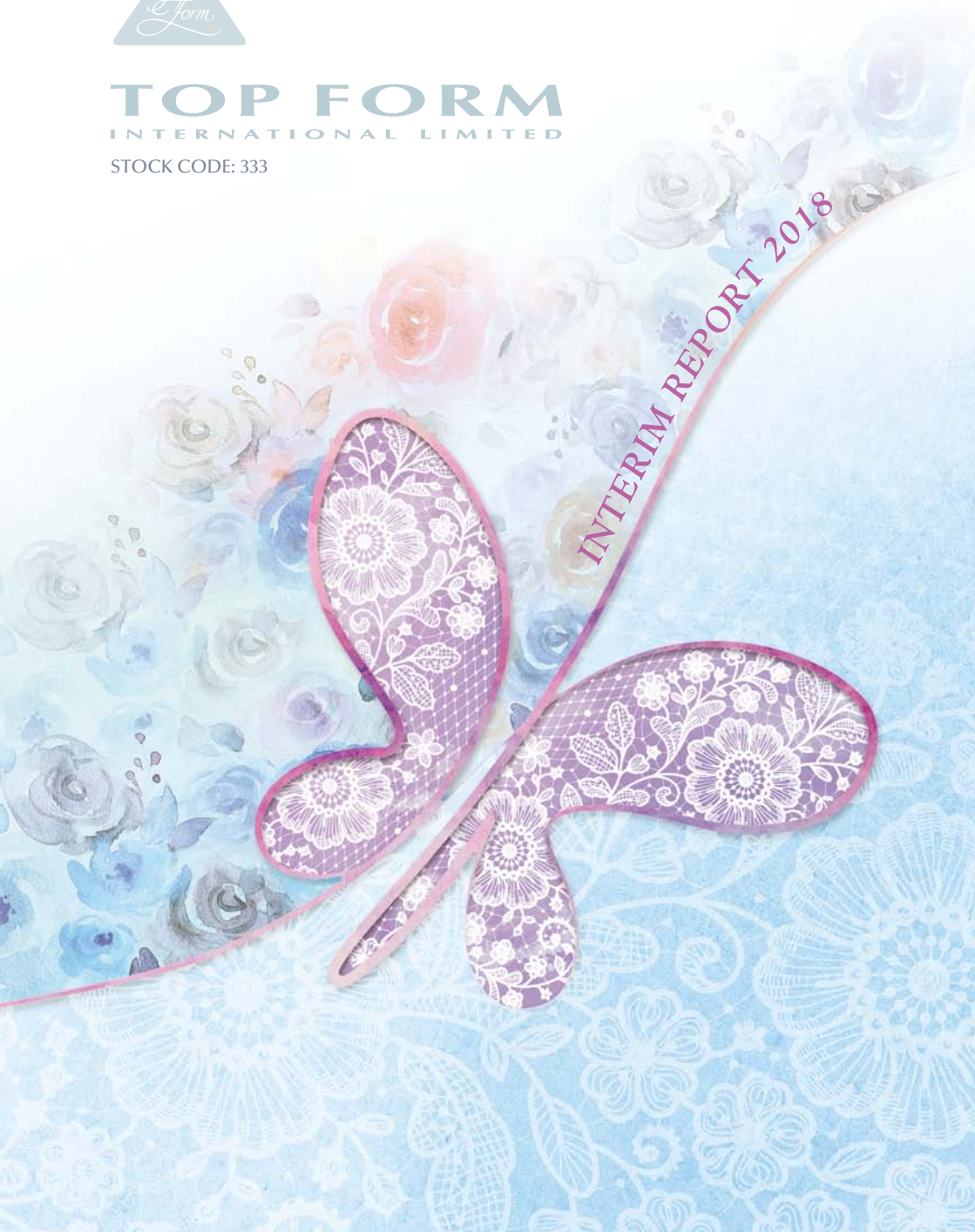


TOP FORM

INTERNATIONAL LIMITED

STOCK CODE: 333

INTERIM REPORT 2018





CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 31 December 2017 — unaudited

(Expressed in Hong Kong dollars)

	Notes	Six months ended 31 December	
		2017 \$'000	2016 \$'000
Revenue		645,260	534,626
Cost of sales		(522,065)	(437,440)
Gross profit		123,195	97,186
Other net income		5,865	7,185
Selling and distribution expenses		(12,585)	(14,072)
General and administrative expenses		(93,838)	(91,916)
Finance costs		(158)	(102)
Share of profits of a joint venture		2,437	4,971
Other expenses	9	(3,141)	–
Profit before tax	4	21,775	3,252
Income tax expense	5	(2,480)	(911)
Profit for the period		19,295	2,341
Attributable to:			
Owners of the Company		19,834	1,701
Non-controlling interests		(539)	640
Profit for the period		19,295	2,341
Earnings per share	7		
Basic		HK\$9.22 cents	HK\$0.79 cents

The notes on pages 8 to 22 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 2017 — unaudited

(Expressed in Hong Kong dollars)

	Six months ended	
	31 December	
	2017	2016
	\$'000	\$'000
Profit for the period	19,295	2,341
Other comprehensive income:		
Item that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of operations outside Hong Kong		
— subsidiaries	6,308	(4,725)
— a joint venture	805	(681)
Release of translation reserve upon deemed disposal of interest in a joint venture	(25)	—
Other comprehensive income for the period, net of income tax	7,088	(5,406)
Total comprehensive income for the period	26,383	(3,065)
Attributable to:		
Owners of the Company	26,795	(3,553)
Non-controlling interests	(412)	488
Total comprehensive income for the period	26,383	(3,065)

The notes on pages 8 to 22 form part of this interim financial report.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017 — unaudited

(Expressed in Hong Kong dollars)

	Notes	At 31 December 2017 \$'000	At 30 June 2017 \$'000
Non-current assets			
Property, plant and equipment	8	111,169	111,622
Prepaid land lease payments		1,456	1,480
Investment properties	8	87,584	84,180
Deferred tax assets		2,078	–
Derivative financial instrument		4,426	4,313
Interest in a joint venture	9	24,812	24,736
Prepaid rental payments		784	936
		232,309	227,267
Current assets			
Inventories		160,149	150,284
Debtors and other receivables	10	249,743	209,694
Prepaid land lease payments		48	48
Current tax recoverable		500	1,105
Bank balances and cash		104,351	133,300
		514,791	494,431
Current liabilities			
Creditors and accrued charges	11	147,736	139,300
Obligations under finance lease		151	145
Current tax payable		2,825	4,210
		150,712	143,655
Net current assets		364,079	350,776
Total assets less current liabilities		596,388	578,043



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017 — unaudited

(Expressed in Hong Kong dollars)

		At 31 December 2017 \$'000	At 30 June 2017 \$'000
	<i>Notes</i>		
Non-current liabilities			
Obligations under finance lease		138	205
Retirement benefit obligations		939	939
Deferred tax liabilities		23,780	20,999
		24,857	22,143
<hr/>			
NET ASSETS		571,531	555,900
<hr/>			
CAPITAL AND RESERVES			
Share capital	12	107,519	107,519
Reserves		454,544	438,501
<hr/>			
Equity attributable to owners of the Company		562,063	546,020
Non-controlling interests		9,468	9,880
<hr/>			
TOTAL EQUITY		571,531	555,900

The notes on pages 8 to 22 form part of this interim financial report.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2017 — 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 (note) \$'000	Asset revaluation reserve \$'000	Translation reserve \$'000	Retained profits \$'000			
At 1 July 2016	107,519	1,499	233	7,139	72,499	767	368,062	557,718	11,115	568,833
Exchange differences arising on translation of operations outside Hong Kong	-	-	-	-	-	(5,254)	-	(5,254)	(152)	(5,406)
Profit for the period	-	-	-	-	-	-	1,701	1,701	640	2,341
Total comprehensive income for the period	-	-	-	-	-	(5,254)	1,701	(3,553)	488	(3,065)
Dividends paid in respect of the previous year	6	-	-	-	-	-	(10,752)	(10,752)	-	(10,752)
Dividends declared to non-controlling interests in respect of the previous year	-	-	-	-	-	-	-	-	(600)	(600)
	-	-	-	-	-	-	(10,752)	(10,752)	(600)	(11,352)
At 31 December 2016 and 1 January 2017	107,519	1,499	233	7,139	72,499	(4,487)	359,011	543,413	11,003	554,416
Exchange differences arising on translation of operations outside Hong Kong	-	-	-	-	-	7,319	-	7,319	136	7,455
Reclassification of asset revaluation reserve upon disposal of investment properties	-	-	-	-	(15,250)	-	15,250	-	-	-
Reversal of deferred tax liability upon disposal of investment properties	-	-	-	-	2,516	-	-	2,516	-	2,516
Remeasurement of provision for long service payments	-	-	-	-	-	-	(172)	(172)	-	(172)
Profit for the period	-	-	-	-	-	-	3,696	3,696	(59)	3,637
Total comprehensive income for the period	-	-	-	-	(12,734)	7,319	18,774	13,359	77	13,436
Dividends declared and paid in respect of the current year	6	-	-	-	-	-	(10,752)	(10,752)	-	(10,752)
Dividends declared to non-controlling interests in respect of the current year	-	-	-	-	-	-	-	-	(1,200)	(1,200)
	-	-	-	-	-	-	(10,752)	(10,752)	(1,200)	(11,952)



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2017 — 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 (note) \$'000	Asset revaluation reserve \$'000	Translation reserve \$'000	Retained profits \$'000			
At 30 June 2017 and 1 July 2017	107,519	1,499	233	7,139	59,765	2,832	367,033	546,020	9,880	555,900
Exchange differences arising on translation of operations outside Hong Kong	-	-	-	-	-	6,986	-	6,986	127	7,113
Release of translation reserve upon deemed disposal of interest in a joint venture	-	-	-	-	-	(25)	-	(25)	-	(25)
Profit for the period	-	-	-	-	-	-	19,834	19,834	(539)	19,295
Total comprehensive income	-	-	-	-	-	6,961	19,834	26,795	(412)	26,383
Special dividends paid in respect of the previous year	6	-	-	-	-	-	(10,752)	(10,752)	-	(10,752)
At 31 December 2017	107,519	1,499	233	7,139	59,765	9,793	376,115	562,063	9,468	571,531

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 8 to 22 form part of this interim financial report.



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2017 — unaudited

(Expressed in Hong Kong dollars)

	<i>Notes</i>	Six months ended 31 December 2017 \$'000	2016 \$'000
Net cash used in operating activities		(9,624)	(3,459)
Investing activities			
Purchase of property, plant and equipment		(9,145)	(14,333)
Proceeds from disposal of property, plant and equipment		173	114
Interest income		307	350
Net cash used in investing activities		(8,665)	(13,869)
Financing activities			
Capital element of finance lease rentals paid		(75)	(64)
Interest element of finance lease rentals paid		(17)	(27)
Interest paid		(158)	(75)
Dividends paid	6	(10,752)	(10,752)
Dividends paid to non-controlling interests		-	(600)
Net cash used in financing activities		(11,002)	(11,518)
Net decrease in cash and cash equivalents		(29,291)	(28,846)
Cash and cash equivalents at 1 July		133,300	166,680
Effect of foreign exchange rate changes		342	(151)
Cash and cash equivalents at 31 December, represented by bank balances and cash		104,351	137,683

The notes on pages 8 to 22 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 22 February 2018.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. The 2017 annual financial statements represent the consolidated financial statements for the year ended 30 June 2017, which was approved and authorised for issue by the board of directors on 24 August 2017. 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 2017 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 23 and 24.

The financial information relating to the financial year ended 30 June 2017 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 2017 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 24 August 2017.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented 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.

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 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.



3 SEGMENT INFORMATION (CONTINUED)

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 2017 and 30 June 2017.

4 PROFIT BEFORE TAX

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

	Six months ended	
	31 December	
	2017	2016
	\$'000	\$'000
(a) Finance costs		
Interest expense on bank borrowings	141	75
Finance charges on obligations under finance leases	17	27
(b) Other items		
Depreciation of property, plant and equipment	11,381	10,158
Release of prepaid land lease payments	24	24
(Reversal of provision)/provision for doubtful debts	(3,355)	4,662
Write back of allowance for inventories	(3,000)	–
Allowance for obsolete inventories (included in cost of sales)	10,259	7,283
Exchange loss, net	775	89
Loss/(gain) on disposal of property, plant and equipment	112	(96)
Interest income	(307)	(350)
Fair value gain of derivative financial instrument	(113)	(1,210)
Increase in fair value of investment properties	–	(300)
Loss on deemed disposal of interest in a joint venture (note 9)	3,141	–



5 INCOME TAX EXPENSE

	Six months ended	
	31 December	
	2017	2016
	\$'000	\$'000
Current tax:		
Hong Kong Profits Tax	1,360	493
Other jurisdictions	1,268	586
	2,628	1,079
Deferred tax:		
Origination and reversal of temporary differences	(148)	(168)
	2,480	911

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.

The Group has recognised deferred tax assets in relation to tax losses and deferred tax liabilities in relation to accelerated tax depreciation, revaluation gain on investment properties and unrealised loss on inventories.



6 DIVIDENDS

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

	Six months ended	
	31 December	
	2017	2016
	\$'000	\$'000
Interim dividend declared and paid after the interim period of \$0.05 per share (Six months ended 31 December 2016: \$0.05 per share)	10,752	10,752

- (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	
	2017	2016
	\$'000	\$'000
Special dividend in respect of the previous financial year, approved and paid during the following interim period, of \$0.05 per share (Six months ended 31 December 2016: \$Nil per share)	10,752	-
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 2016: \$0.05 per share)	-	10,752



7 EARNINGS PER SHARE

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

	Six months ended 31 December	
	2017	2016
	\$'000	\$'000
Profit for the period attributable to the owners of the Company for the purpose of computing basic earnings per share	19,834	1,701
	Number of shares	Number of shares
Number of weighted average of ordinary shares for the purpose of computing basic earnings per share	215,037,625	215,037,625

No dilutive earnings 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 2017, the Group acquired items of property, plant and equipment with a cost of \$9,145,000 (six months ended 31 December 2016: \$14,333,000).

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 2017 (six months ended 31 December 2016: \$300,000).



9 INTEREST IN A JOINT VENTURE

The Group has entered into a shareholders agreement (the “Shareholders Agreement”) with New Horizon International Investments Limited (“New Horizon”), a wholly-owned subsidiary of Best Pacific International Holdings Limited, immediately after completion of the acquisition of 40% of the issued ordinary shares of Charming Elastic Fabric Company Limited (“Charming”) by New Horizon from an independent third party on 4 November 2015.

Under the Shareholders’ Agreement, the substantive operating and financing decisions related to Charming are under the joint control by the Group and New Horizon. As a result, although the Group’s shareholding in Charming remains unchanged at 60%, the Group accounted for its interest in Charming as a joint venture.

According to the Shareholders’ Agreement, should Charming together with its subsidiary (“Charming Group”) be able to achieve certain pre-agreed performance targets by 30 June 2017 or by 31 December 2018, New Horizon shall have the right to subscribe for new ordinary shares in Charming such that New Horizon may eventually hold up to 51% of the then entire issued ordinary shares of Charming. Further, should New Horizon eventually hold 51% of the then entire issued ordinary shares of Charming, the Group shall have the right to dispose of part or all of its interest in Charming to New Horizon up to 30 June 2022.

Based on the audited financial results of Charming Group as of 30 June 2017, the pre-agreed performance targets for Charming were met. As such, New Horizon subscribed for 71,089 new shares issued by Charming on 27 December 2017. As a result, New Horizon’s shareholding in Charming increased from 40% to 51%, while the Group’s shareholding in Charming diluted from 60% to 49% and a loss on deemed disposal of interest in a joint venture of \$3,141,000 was recognised by the Group in other expenses during the current period.



10 DEBTORS AND OTHER RECEIVABLES

Included in the balance are trade debtors, net of allowance for doubtful debt, of \$226,083,000 (at 30 June 2017: \$185,977,000). The Group allows an average credit period of 45 days to its trade customers.

Management of the Company assesses the credit quality of the trade debtors based on the payment due date. An ageing analysis of trade debtors that are neither individually nor collectively to be impaired, based on the payment due date, at the end of the reporting period is as follows:

	At 31 December 2017 \$'000	At 30 June 2017 \$'000
Neither past due nor impaired	204,547	166,432
1–30 days past due	15,581	7,496
31–60 days past due	2,194	56
Over 60 days past due	353	394
	222,675	174,378

As the Group's average credit period is 45 days, a majority of the balances which as disclosed above are within 90 days from the invoice date.



11 CREDITORS AND ACCRUED CHARGES

Included in the balance are trade creditors of \$86,741,000 (at 30 June 2017: \$76,467,000). 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 2017 \$'000	At 30 June 2017 \$'000
Current	77,169	72,064
1–30 days past due	7,103	3,253
31–60 days past due	2,201	467
Over 60 days past due	268	683
	86,741	76,467

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 2017		At 30 June 2017	
	No. of shares	Amount \$'000	No. of shares	Amount \$'000
Ordinary shares of \$0.50 each				
<i>Authorised:</i>				
At 1 July 2017/1 July 2016 and end of period/year	300,000,000	150,000	300,000,000	150,000
<i>Issued and fully paid:</i>				
At 1 July 2017/1 July 2016 and end of period/year	215,037,625	107,519	215,037,625	107,519



13 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Financial assets and liabilities measured at fair value

Fair value hierarchy

The fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs



13 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

Valuation of instruments classified as a Level 3 instrument of the fair value hierarchy is performed by an external qualified appraiser. A valuation report with analysis of changes in fair value measurement is prepared by the appraiser at each interim and annual reporting date, and is reviewed and approved by the management.

Pursuant to the Shareholders' Agreement mentioned in note 9 and with the condition of New Horizon being a majority shareholder of Charming fulfilled on 27 December 2017, the Group shall have the right to dispose of part of all of its interest in Charming to New Horizon up to 30 June 2022. The right is recognised as a derivative financial instrument at fair value through profit or loss. The Group's derivative financial instrument is categorised as a Level 3 valuation.

Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Range	Weighted average
Derivative financial instrument	Monte Carlo model	Discount for lack of marketability	25.8% to 26%	26%
		Weighted average cost of capital ("WACC")	N/A	17.5%
		Expected volatility	N/A	34.34%

The fair value of the derivative financial instrument is determined in the following two-step process by the Group's external appraiser: (1) the enterprise value of Charming is firstly determined using the discounted cash flows model adjusted for lack of marketability discount and weighted average cost of capital; then, (2) the fair value of the Exit Option is estimated using the Monte Carlo simulation based on the enterprise value determined in (1) and adjusted for expected volatility, which in turn is estimated based on daily stock prices of comparable companies within the industry. The fair value measurement of the derivative financial instrument as a whole is negatively correlated with the WACC, while the fair value of the derivative financial instrument is positively correlated with the discount for lack of marketability and the expected volatility inputs.



13 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

As at 31 December 2017, it is estimated that with all other variables held constant, a decrease/increase in:

- Discount for lack of marketability by 5% would have decreased/increased the Group's profit after tax and total comprehensive income by \$962,000/\$1,180,000;
- Weighted Average Cost of Capital by 3% would have increased/decreased the Group's profit after tax and total comprehensive income by \$1,047,000/\$786,000; and
- Expected volatility by 10% would have decreased/increased the Group's profit after tax and total comprehensive income by \$1,059,000/\$1,074,000.

The movements during the period in the balance of these level 3 fair value measurements are as follows:

	\$'000
Derivative financial instrument:	
At 30 June 2017	4,313
Changes in fair value recognised in profit or loss during the period	113
<hr/>	
At 31 December 2017	4,426

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 2017 and 31 December 2017.



14 OPERATING LEASE COMMITMENTS

The Group as lessee

At 31 December 2017, 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 2017 \$'000	At 30 June 2017 \$'000
Within one year	17,310	15,837
In the second to fifth year inclusive	22,927	26,611
After five years	1,221	1,911
	41,458	44,359

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

The Group as lessor

At 31 December 2017, the Group had contracted with tenants for the following future minimum lease payments:

	At 31 December 2017 \$'000	At 30 June 2017 \$'000
Within one year	2,198	3,458
In the second to fifth year inclusive	1,956	2,578
	4,154	6,036



15 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 \$54,261,000 (for the six months ended 31 December 2016: \$52,183,000).

As at 31 December 2017, the balance of trade receivables from VdV amounting to approximately \$6,413,000 (at 30 June 2017: \$4,796,000) was included in debtors and other receivables.

As at 31 December 2017 and 30 June 2017, 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	
	2017	2016
	\$'000	\$'000
Salaries and other benefits	7,940	7,868
Retirement benefit scheme contributions	63	63
	8,003	7,931

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 1 to 22 which comprises the consolidated statement of financial position of Top Form International Limited (the “Company”) as of 31 December 2017 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated 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 2017 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

22 February 2018



MANAGEMENT DISCUSSION AND ANALYSIS

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

	Revenue		Profit (Loss/expenses)	
	Six months ended		Six months ended	
	31 December		31 December	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Manufacturing	645,260	534,626	30,034	11,007
Corporate	-	-	(8,259)	(7,755)
	645,260	534,626	21,775	3,252

For the six months ended 31 December 2017, the Group recorded an increase in sales revenue, gross profit margin and profit after tax when compared with the corresponding period last year.

Sales revenue increased by 21% from HK\$535 million to HK\$645 million. Profit after tax increased from HK\$2 million to HK\$19 million during the six months period.

MANUFACTURING

Sales performance improved during the six months period under review. In monetary terms, during the period, 63% of our sales were made to the US market, whilst 26% of our sales were made to the EU, and the rest of the world accounted for the remaining 11%. The improvement in sales revenue as compared to the prior corresponding period was mainly attributed to the improving US retail apparel environment. Average selling price rose as management continued to rebalance the sales mix in the face of rising operating costs.

With strengthening currencies, especially the Thai Baht and RMB against US dollars, and rising labor costs in all of our operating regions resulted in upward pressure on operating costs. Increased sales volume during the first half and the optimized cost structure of the plants offset the increased costs. As a result, overall gross profit margin increased slightly from 18% to 19% during the period.



Production from Thailand and Cambodian plants accounted for 64% of our global output with China making up the remaining 36%. During the period there was an overall increase in capacity as we added sewing operators and improved plants efficiencies. We believe with this capacity distribution, the Group will maintain a competitive advantage in serving our customers and be flexible to market demands.

CORPORATE

Corporate expenditure for the period amounted to HK\$8.3 million as compared to HK\$7.8 million in the corresponding period last year.

FINANCIAL POSITION

The financial position of the Group remains healthy with insignificant gearing. Shareholders' funds stood at HK\$562 million as at 31 December 2017. Bank balances and cash amounted to HK\$104 million while the credit facilities available to the Group amounted to HK\$159 million.

Inventory turnover period reduced to 55 days during the period from 63 days in the corresponding period last year mainly due to the improvement in inventory control management.

Capital expenditure during the period amounted to HK\$9 million which was mainly spent on machineries.

Having considered the cash positions and reinvestment needs, the Board has resolved to declare an interim dividend of HK\$0.05 per share for the six months ended 31 December 2017.



FOREIGN EXCHANGE RISK

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

OUTLOOK AND FUTURE DEVELOPMENT

While the bottom of the recent cycle has passed and overall demand appears to be improving, the general outlook of the apparel industry remains challenging. Given the fast changing dynamics of today's consumer market and volatile trade environment over the coming year, we intend to continue investing in our existing facilities in both Jiangxi province, China and Northwestern Thailand. It is in our opinion by increasing capacity, improving overall manufacturing operations, along with optimizing the overall planning and business process will serve the business needs in the short term, as well as delivering long term sustainable growth and value to our shareholders.



DIRECTORS' OR CHIEF EXECUTIVES' INTERESTS

As at 31 December 2017, 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	Percentage of the issued share capital of the Company
Wong Chung Chong	Beneficial owner and interests held by spouse and a controlled corporation and persons acting in concert (note 1)	60,826,823	28.29%
Wong Kai Chi, Kenneth	Persons acting in concert (note 2)	60,626,823	28.19%
Wong Kai Chung, Kevin	Interests held by a controlled corporation and persons acting in concert (note 3)	60,626,823	28.19%
Marvin Bienenfeld	Beneficial owner	170,000	0.08%
Chow Yu Chun, Alexander	Beneficial owner	680,104	0.32%
Fung Wai Yiu	Beneficial owner and interests held by spouse (note 4)	8,705,704	4.05%
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 5)	55,184,708	25.66%



Notes:

1. 4,288,504 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.
2. 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.
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. 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.
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.

Certain nominee shares in the Company's subsidiaries were held by Mr. Wong in trust for the Company's subsidiaries as at 31 December 2017.

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 2017, 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 2017, no share options of the Company were held by the Directors or anyone else under the Scheme, 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 2017.

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 2017 (six months ended 31 December 2016: HK\$0.05 per share) to its shareholders whose names will appear on the registers of members of the Company on 14 March 2018. The interim dividend will be paid on 28 March 2018.

CLOSURE OF REGISTERS OF MEMBERS

The main and branch registers of members of the Company will be closed from 13 March 2018 to 14 March 2018 for ascertaining the shareholder' entitlement to the 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 12 March 2018.

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 financial reporting matters, internal controls and risk management systems.

The Company's unaudited interim financial report for the six months ended 31 December 2017 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 2017, 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.



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 2017, the Group had employed approximately 7,975 employees (30 June 2017: approximately 8,538 employees). The remuneration policy and package of the Group’s employees are structured by reference to the prevailing market conditions and statutory requirements as appropriate. The Group also provides other staff benefits such as medical insurance, mandatory provident fund contributions and a share option scheme to its employees.

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

22 February 2018