



TOP FORM
INTERNATIONAL LIMITED

STOCK CODE: 333

TOP FORM

Interim Report

2016



CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 31 December 2015 — unaudited
(Expressed in Hong Kong dollars)

	Notes	Six months ended 31 December	
		2015 \$'000	2014 \$'000
Revenue		618,047	581,649
Cost of sales		(508,321)	(469,286)
Gross profit		109,726	112,363
Other income		11,360	6,039
Selling and distribution expenses		(13,003)	(12,228)
General and administrative expenses		(86,460)	(84,291)
Finance costs	4(a)	(109)	(187)
Share of profits of a joint venture		1,541	–
Profit before taxation	4	23,055	21,696
Income tax	5	(3,025)	(4,640)
Profit for the period		20,030	17,056
Attributable to:			
Owners of the Company		18,685	16,023
Non-controlling interests		1,345	1,033
Profit for the period		20,030	17,056
Earnings per share	7		
Basic		HK\$0.09	HK\$0.07

The notes on pages 9 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 2015 — unaudited
(Expressed in Hong Kong dollars)

	Six months ended 31 December	
	2015 \$'000	2014 \$'000
Profit for the period	20,030	17,056
Other comprehensive income for the period (after nil tax adjustments):		
Item that may be subsequently reclassified to profit or loss:		
— Exchange differences arising on translation of operations outside Hong Kong	(8,502)	114
Reclassification of translation reserve upon loss of control in subsidiaries	(4,260)	—
Total comprehensive income for the period	7,268	17,170
Attributable to:		
Owners of the Company	6,182	16,124
Non-controlling interests	1,086	1,046
Total comprehensive income for the period	7,268	17,170

The notes on pages 9 to 22 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015 — unaudited

(Expressed in Hong Kong dollars)

	Notes	At 31 December 2015 \$'000	At 30 June 2015 \$'000
Non-current assets			
Property, plant and equipment	8	95,912	117,786
Prepaid lease payments		1,551	1,575
Investment properties	8	100,941	104,725
Interest in a joint venture	9	14,183	–
Prepaid rental payments		1,193	1,883
		213,780	225,969
Current assets			
Inventories		153,800	189,494
Debtors and other receivables	10	217,440	174,671
Bills receivable	11	480	2,752
Prepaid lease payments		48	48
Current tax recoverable		–	10
Bank balances and cash		139,971	169,215
		511,739	536,190
Current liabilities			
Creditors and accrued charges	12	132,576	150,687
Amount due to a joint venture		298	–
Obligations under finance lease		23	–
Current tax payable		3,048	5,686
		135,945	156,373
Net current assets		375,794	379,817
Total assets less current liabilities		589,574	605,786

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015 — unaudited

(Expressed in Hong Kong dollars)

	Notes	At 31 December 2015 \$'000	At 30 June 2015 \$'000
Non-current liabilities			
Obligations under finance lease		527	–
Retirement benefit obligations		1,460	1,460
Deferred tax liabilities		23,135	25,353
		25,122	26,813
NET ASSETS			
		564,452	578,973
CAPITAL AND RESERVES			
Share capital	13	107,519	107,519
Reserves		446,437	451,007
Equity attributable to owners of the Company			
		553,956	558,526
Non-controlling interests			
		10,496	20,447
TOTAL EQUITY			
		564,452	578,973

The notes on pages 9 to 22 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2015 — unaudited
(Expressed in Hong Kong dollars)

	Attributable to owners of the Company								Non-controlling interests	Total
	Share capital	Share premium	Capital redemption reserve	Special reserve (note)	Asset revaluation reserve	Translation reserve	Retained profits	Total		
Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2014	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 operations outside Hong Kong	-	-	-	-	-	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)
Balance at 31 December 2014 and 1 January 2015	107,519	1,499	233	7,139	72,499	12,636	350,050	551,575	19,751	571,326
Exchange difference arising on translation of operations outside Hong Kong	-	-	-	-	-	(331)	-	(331)	(1)	(332)
Remeasurement of provision for long service payments	-	-	-	-	-	-	(121)	(121)	-	(121)
Profit for the period	-	-	-	-	-	-	18,155	18,155	697	18,852
Total comprehensive income	-	-	-	-	-	(331)	18,034	17,703	696	18,399
Dividends paid	-	-	-	-	-	-	(10,752)	(10,752)	-	(10,752)
Balance at 30 June 2015	107,519	1,499	233	7,139	72,499	12,305	357,332	558,526	20,447	578,973

The notes on pages 9 to 22 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2015 — unaudited
(Expressed in Hong Kong dollars)

	Attributable to owners of the Company										
	Note	Share capital	Share premium	Capital redemption reserve	Special reserve	Asset revaluation reserve	Translation reserve	Retained profits	Total	Non-controlling interests	Total
		\$'000	\$'000	\$'000	\$'000	(note)	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2015		107,519	1,499	233	7,139	72,499	12,305	357,332	558,526	20,447	578,973
Exchange difference arising on translation of operations outside Hong Kong		-	-	-	-	-	(8,243)	-	(8,243)	(259)	(8,502)
Reclassification of translation reserve upon loss of control in subsidiaries	9	-	-	-	-	-	(4,260)	-	(4,260)	-	(4,260)
Profit for the period		-	-	-	-	-	-	18,685	18,685	1,345	20,030
Total comprehensive income		-	-	-	-	-	(12,503)	18,685	6,182	1,086	7,268
Derecognition of non-controlling interests upon loss of control in subsidiaries	9	-	-	-	-	-	-	-	-	(8,637)	(8,637)
Dividends paid	6	-	-	-	-	-	-	(10,752)	(10,752)	(2,400)	(13,152)
Balance at 31 December 2015		107,519	1,499	233	7,139	72,499	(198)	365,265	553,956	10,496	564,452

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 9 to 22 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2015 — unaudited
(Expressed in Hong Kong dollars)

	Note	Six months ended 31 December	
		2015 \$'000	2014 \$'000
Net cash (used in)/generated from operating activities		(5,355)	78,363
Investing activities			
Cash disposed of upon loss of control in subsidiaries	9	(7,609)	—
Purchase of property, plant and equipment		(3,551)	(8,522)
Proceeds from disposal of property, plant and equipment		155	144
Interest income		948	1,174
Net cash used in investing activities		(10,057)	(7,204)
Financing activities			
Capital element of finance lease rentals paid		(23)	—
Interest element of finance lease rentals paid		(1)	—
Interest paid		(108)	(187)
Dividends paid to owners of the Company		(10,752)	(21,504)
Dividends paid to holders of non-controlling interests		(2,400)	(2,000)
Net cash used in financing activities		(13,284)	(23,691)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2015 — unaudited

(Expressed in Hong Kong dollars)

	Note	Six months ended 31 December	
		2015 \$'000	2014 \$'000
Net (decrease)/increase in cash and cash equivalents		(28,696)	47,468
Cash and cash equivalents at 1 July		169,215	129,160
Effect of foreign exchange rate changes		(548)	35
Cash and cash equivalents at 31 December, represented by bank balances and cash		139,971	176,663

The notes on pages 9 to 22 form part of this interim financial report.



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

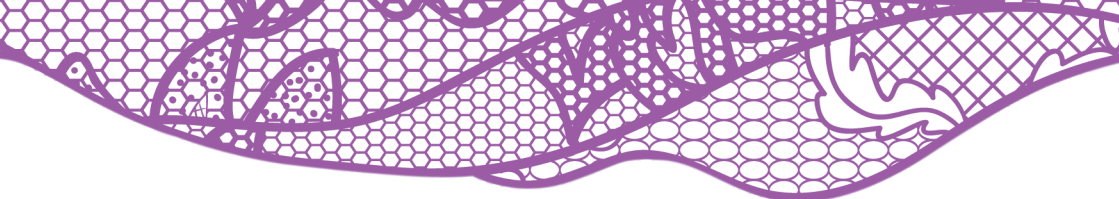
1 Basis of preparation

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 19 February 2016.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 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 2015 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 23 and 24.

The financial information relating to the financial year ended 30 June 2015 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 2015 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 2015.

2 Changes in accounting policies

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

- *Annual Improvements to HKFRSs 2010–2012 Cycle*
- *Annual Improvements to HKFRSs 2011–2013 Cycle*

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. 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 2015 and 30 June 2015.

4 Profit before taxation

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

	Six months ended	
	31 December	
	2015	2014
	\$'000	\$'000
(a) Finance costs		
Interest expense on bank borrowings wholly repayable within five years	108	187
Finance charges on obligations under finance leases	1	–
(b) Other items		
Depreciation of property, plant and equipment	11,019	12,290
Amortisation of prepaid lease payments	24	24
Allowance for obsolete inventories (included in cost of sales)	4,145	5,720
Gain arising from reclassification of translation reserve upon loss of control in subsidiaries	(4,260)	–
Exchange loss, net	7,279	3,536
Gain on disposal of property, plant and equipment	(116)	(75)
Interest income	(948)	(1,174)

5 Income tax

	Six months ended	
	31 December	
	2015	2014
	\$'000	\$'000
Current tax:		
Hong Kong Profits Tax	3,861	4,696
Other jurisdictions	436	710
	4,297	5,406
Deferred tax:		
Credit for the period	(1,272)	(766)
	3,025	4,640

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	
	2015 \$'000	2014 \$'000
2015 final and special dividends declared and paid during the interim period:		
2015 final dividend of \$0.05 per share (2014: \$0.05 per share) and 2015 special dividend of \$Nil per share (2014: \$0.05 per share)	10,752	21,504
Dividend proposed after the end of the interim period:		
Interim dividend (<i>note (a)</i>)	10,752	10,752

- (a) Subsequent to the end of the interim reporting period, an interim dividend of \$0.05 per share (2014: \$0.05 per share) has been declared by the directors of the Company for the six months ended 31 December 2015.

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	
	2015	2014
	\$'000	\$'000
Profit for the period attributable to the owners of the Company for the purpose of basic earnings per share	18,685	16,023
	Number of shares	Number of shares
Number of ordinary shares for the purpose of basic earnings per share	215,037,625	215,037,625

There was no dilutive effect on earnings per share 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, the Group acquired items of property, plant and equipment with a cost of \$4,125,000 (six months ended 31 December 2014: \$8,522,000).

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 2015 (six months ended 31 December 2014: \$nil).



9 Interest in a joint venture

The Group entered into a shareholders' agreement (the "Shareholders' Agreement") with New Horizon International Investments Limited ("New Horizon"), an independent third party, immediately after completion of the acquisition of 40% of the issued ordinary shares of Charming Elastic Fabric Company Limited ("Charming"), a then 60% held subsidiary of the Group, by New Horizon from Charming's then 40% held minority shareholder 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 has lost control over Charming. The Group has ceased consolidating Charming and has then accounted for its interest in Charming as a joint venture, which is initially recognised at fair value. A gain of \$4,260,000 was recognised, being the reclassification of related translation reserve.

Under the terms of the Shareholders' Agreement, should Charming together with its subsidiary be able to achieve certain pre-agreed performance targets up to 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. The pre-agreed performance targets have not yet been met as at 31 December 2015 and the directors consider the fair value of the said rights to be not material as at 31 December 2015.

Details of net assets deemed to be disposed of are as follows:

	\$'000
Property, plant and equipment	11,565
Inventories	5,998
Debtors and other receivables	2,906
Amount due from immediate holding company	1,954
Bank balances and cash	7,609
Creditors and accrued charges	(8,408)
Amounts due to fellow subsidiaries	(31)
Retirement benefit obligations	(1)
	<u>21,592</u>
Less: Non-controlling interests	<u>(8,637)</u>
Net assets deemed to be disposed of	12,955
Less: Interest in a joint venture recognised	<u>(12,955)</u>
Gain on disposal of subsidiaries before reclassification of translation reserve	–
Reclassification of translation reserve	<u>4,260</u>
Gain on disposal of subsidiaries	<u>4,260</u>

Analysis of net cash outflow arising from the deemed disposal:

	\$'000
Consideration received	–
Bank balances and cash disposed of	<u>(7,609)</u>
	<u>(7,609)</u>

10 Debtors and other receivables

Included in the balance are trade debtors of \$194,117,000 (at 30 June 2015: \$152,617,000). The Group allows an average credit period of 45 days (at 30 June 2015: 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 2015 \$'000	At 30 June 2015 \$'000
Current	170,956	122,828
1–30 days overdue	19,267	24,435
31–60 days overdue	1,248	4,443
Over 60 days overdue	2,646	911
	194,117	152,617

As the Group's average credit period is 45 days (at 30 June 2015: 30 days), a majority of the balances which as disclosed above are within 90 days from the invoice date.

11 Bills receivable

As at 31 December 2015 and 30 June 2015, all bills receivable are aged within 30 days. The Group does not hold any collateral over these balances.

12 Creditors and accrued charges

Included in the balance are trade creditors of \$71,996,000 (at 30 June 2015: \$93,703,000). 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 2015 \$'000	At 30 June 2015 \$'000
Current	61,987	77,758
1–30 days overdue	7,664	10,798
31–60 days overdue	2,172	4,064
Over 60 days overdue	173	1,083
	71,996	93,703

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.

13 Share capital

	At 31 December 2015		At 30 June 2015	
	No. of shares	Amount \$'000	No. of shares	Amount \$'000
Ordinary shares of \$0.50 each				
<i>Authorised:</i>				
At 1 July and 31 December/ 30 June	300,000,000	150,000	300,000,000	150,000
<i>Issued and fully paid:</i>				
At 1 July and 31 December/ 30 June	215,037,625	107,519	215,037,625	107,519

14 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 2015 and 31 December 2015.

15 Operating lease commitments

The Group as lessee

At 31 December 2015, 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 2015 \$'000	At 30 June 2015 \$'000
Within one year	12,969	11,087
In the second to fifth year inclusive	21,920	21,491
After five years	4,081	5,925
	38,970	38,503

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 2015, the Group had contracted with tenants for the following future minimum lease payments:

	At 31 December 2015 \$'000	At 30 June 2015 \$'000
Within one year	4,367	4,545
In the second to fifth year inclusive	7,303	9,895
	11,670	14,440

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 \$46,965,000 (for the six months ended 31 December 2014: \$45,246,000).

As at 31 December 2015, the balance of trade receivables from VdV amounting to approximately \$6,304,000 (at 30 June 2015: \$3,473,000) was included in debtors and other receivables.

As at 31 December 2015 and 30 June 2015, 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	
	2015	2014
	\$'000	\$'000
Salaries and other benefits	8,323	8,513
Retirement benefit scheme contributions	63	69
	8,386	8,582

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 22 which comprises the consolidated statement of financial position of Top Form International Limited (the “Company”) as of 31 December 2015 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 2015 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

19 February 2016

MANAGEMENT DISCUSSION AND ANALYSIS

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

	Revenue		Profit (Loss/expenses)	
	Six months ended		Six months ended	
	31 December		31 December	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Manufacturing	618,047	581,649	31,105	29,839
Corporate	-	-	(8,050)	(8,143)
	618,047	581,649	23,055	21,696

For the six months ended 31 December 2015, the Group recorded sales revenue of HK\$618 million, representing an increase of 6% as compared to HK\$582 million of sales recorded in the corresponding period last year. Profit after taxation increased by 17%, from HK\$17 million to HK\$20 million during the six months period.

MANUFACTURING

During the period, in monetary terms, 62% of our sales were to the US market whilst sales to the EU represented 22% and the rest of the world accounted for 16%. The growth in the sales revenue for the period was mainly attributable to the increase in sales volume to the US market and the sales to new customers driven by our continuous effort to broaden the customer base. The average selling price showed a modest decrease reflecting the price driven demand in our business.

Gross profit margin reduced from 19% to 18% whilst it remained flat when compared with the second half of last fiscal year. The price sensitive demand in the business has added pressure to the gross margin during the period. This pressure has been eased by the favorable currency movement of Thai Baht and RMB against US dollars during the period. Material prices remained stable.



China accounted for 42% of our global capacity, Thailand 49% and Cambodia 9%. Following our strategic plan to increase the capacity offshore, we have continued to expand the capacity in the overseas plants by adding new headcounts and maintain the capacity of the plants in China. The capacity expansion in the overseas plants is encouraging. The capacity ratio of Overseas versus China has further increased from 51%: 49% during the six months period a year ago to 58%: 42% during the current period. The operating environment continued to be challenging. The statutory minimum wage in Jiangxi Province, China has increased by 11% starting from 1 October 2015 and the statutory minimum wage in Cambodia has increased by 9% from 1 January 2016. Meanwhile, we will continue to maximize the cost efficiency and productivity of our plants through process synchronization and improvement to counter the escalating cost trend.

CORPORATE

Corporate expenditure for the period amounted to HK\$8 million and remained flat as compared to the corresponding period last year.

FINANCIAL POSITION

The financial position of the Group remains healthy with insignificant gearing. Shareholders' funds stood at HK\$554 million as at 31 December 2015. Bank balances and cash amounted to HK\$140 million whilst the credit facilities available to the Group amounted to HK\$159 million.

Capital expenditure during the period amounted to HK\$4 million which was mainly spent on machineries.



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

The recent volatility in the global stock and currency markets as well as further slump in the commodities prices are causes for concern in the global economy. We expect business demand will continue to be price driven adding pressure to our margin and consumer spending remains cautious. In responding to the changing market conditions and price driven demand, we will continue to expand our overseas capacity, improve the productivity and efficiency of the plants and seek for lower costs location to maintain our competitiveness and to pursue growth opportunities in our business.

DIRECTORS' OR CHIEF EXECUTIVES' INTERESTS

As at 31 December 2015, 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 trust and persons acting in concert (note 1)	60,826,823	28.29%
Wong Kai Chi, Kenneth	Beneficiary of trust and persons acting in concert (note 2)	60,626,823	28.19%
Wong Kai Chung, Kevin	Beneficiary of trust and 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 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. 4,000,000 shares were registered in the name of Triple Gains Ventures Limited ("TGV"), 98% 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. 52,318,319 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 ("Mr. Kenneth Wong") was eligible beneficiary whereas 8,308,504 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. 52,318,319 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. Kevin Wong was eligible beneficiary whereas 4,000,000 shares were held by TGV, 98% equity interest of which was held by Mr. Kevin Wong, and 4,308,504 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 2015.

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 2015, 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 (<i>note 1</i>)	60,626,823	28.19%
TGV	Beneficial owner and persons acting in concert (<i>note 2</i>)	60,626,823	28.19%
VdV	Beneficial owner	55,184,708	25.66%
David Michael Webb	Beneficial owner and interests held by a controlled corporation (<i>note 3</i>)	10,772,000	5%

Notes:

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



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 2015, 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 2015.

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 2015 (six months ended 31 December 2014: HK\$0.05 per share) to its shareholders whose names will appear on the registers of members of the Company on 11 March 2016. The interim dividend will be paid on 21 March 2016.

CLOSURE OF REGISTERS OF MEMBERS

The main and branch registers of members of the Company will be closed from 9 March 2016 to 11 March 2016 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 8 March 2016.

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 2015 has been reviewed by the Audit Committee and KPMG, auditors of the Company.



CORPORATE GOVERNANCE

The Group continues to commit itself to maintaining high standards of corporate governance principles and practices with an emphasis on enhancing transparency and accountability. The Group is also committed to ensuring the application of these principles and practices within the Group and thereby, enhancing shareholders value and benefiting our stakeholders at large.

The Company has, during the six months ended 31 December 2015, 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, except for the following deviations:

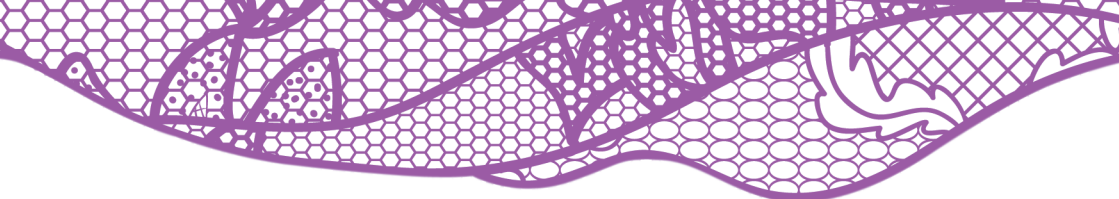
Code Provisions A.4.1, A.4.2 and A.5.1

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.



Code Provision A.5.1 provides that the Company should establish a Nomination Committee which is chaired by the Chairman of the Board or an Independent Non-executive Director and comprises a majority of Independent Non-executive Directors.

The Nomination Committee is chaired by Mr. Fung Wai Yiu, a Non-executive Director of the Company, instead of Chairman of the Board or an Independent Non-executive Director during the period from 31 October 2014 to 26 August 2015. Mr. Fung retired as Chairman and Executive Director of the Company and was re-designated as a Non-executive Director on 31 October 2014. The Board considers that Mr. Fung's assumption as of the role as the Chairman of the Nomination Committee will ensure the stability and smooth transition of the Committee during the interim period. At the board meeting held on 27 August 2015, the Board has appointed Mr. Chow Yu Chun, Alexander, an Independent Non-executive Director of the Company, as the Chairman of the Nomination Committee with effect from 27 August 2015.

In view of the recent amendments to the Corporate Governance Code effective for the accounting period beginning on 1 January 2016, the Board has adopted a revised Terms of Reference of the Audit Committee ("ToR") on 19 February 2016 in order to comply with certain changes related to risk management and internal control section of the Corporate Governance Code.



MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted 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.

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 2015 Annual Report of the Company are set out below:

On 27 August 2015, the Board has appointed Mr. Chow Yu Chun, Alexander, an Independent Non-executive Director of the Company, as the Chairman of the Nomination Committee with effect from 27 August 2015.

On 19 February 2016, the Board has appointed Mr. Wong Kai Chi, Kenneth, an executive director of the Company, as a member of the Nomination Committee and Mr. Wong Kai Chung, Kevin, an executive director of the Company, as alternate to Mr. Wong Kai Chi, Kenneth.

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



EMPLOYEES

As at 31 December 2015, the Group had employed approximately 8,391 employees (30 June 2015: approximately 8,090 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

19 February 2016