



**TOP FORM**  
INTERNATIONAL LIMITED

STOCK CODE: 333



**2017**  
Interim Report

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 31 December 2016 — unaudited  
(Expressed in Hong Kong dollars)

	Notes	Six months ended 31 December	
		2016 \$'000	2015 \$'000
<b>Revenue</b>		<b>534,626</b>	618,047
Cost of sales		<b>(437,440)</b>	(508,321)
<b>Gross profit</b>		<b>97,186</b>	109,726
Other income		<b>7,185</b>	11,360
Selling and distribution expenses		<b>(14,072)</b>	(13,003)
General and administrative expenses		<b>(91,916)</b>	(86,460)
Finance costs		<b>(102)</b>	(109)
Share of profits of joint ventures		<b>4,971</b>	1,541
<b>Profit before tax</b>	4	<b>3,252</b>	23,055
Income tax expense	5	<b>(911)</b>	(3,025)
<b>Profit for the period</b>		<b>2,341</b>	20,030
<b>Attributable to:</b>			
Owners of the Company		<b>1,701</b>	18,685
Non-controlling interests		<b>640</b>	1,345
<b>Profit for the period</b>		<b>2,341</b>	20,030
<b>Earnings per share</b>	7		
Basic		<b>HK\$0.79 cents</b>	HK\$8.69 cents

The notes on pages 9 to 23 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 2016 — unaudited  
(Expressed in Hong Kong dollars)

	Six months ended 31 December	
	2016 \$'000	2015 \$'000
<b>Profit for the period</b>	<b>2,341</b>	20,030
<b>Other comprehensive income for the period (after nil tax adjustments):</b>		
Item that may be subsequently reclassified to profit or loss:		
— Exchange differences arising on translation of overseas operations	<b>(5,406)</b>	(8,502)
— Reclassification of translation reserve upon loss of control in subsidiaries	—	(4,260)
<b>Total comprehensive income for the period</b>	<b>(3,065)</b>	7,268
<b>Attributable to:</b>		
Owners of the Company	<b>(3,553)</b>	6,182
Non-controlling interests	<b>488</b>	1,086
<b>Total comprehensive income for the period</b>	<b>(3,065)</b>	7,268

The notes on pages 9 to 23 form part of this interim financial report.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016 — unaudited  
(Expressed in Hong Kong dollars)

	Notes	At 31 December 2016 \$'000	At 30 June 2016 \$'000
<b>Non-current assets</b>			
Property, plant and equipment	8	100,035	96,748
Prepaid land lease payments		1,503	1,527
Investment properties	8	78,485	100,991
Derivative financial instrument	14	4,849	3,639
Interest in joint venture	9	21,869	17,580
Prepaid rental payments		1,103	1,335
		<b>207,844</b>	221,820
<b>Current assets</b>			
Investment property held for sale	10	19,000	–
Inventories		162,565	135,293
Debtors and other receivables	11	200,544	192,245
Amount due from a joint venture		–	11
Prepaid land lease payments		48	48
Current tax recoverable		1,039	–
Bank balances and cash		137,683	166,680
		<b>520,879</b>	494,277
<b>Current liabilities</b>			
Creditors and accrued charges	12	146,596	117,460
Obligations under financial lease		136	139
Current tax payable		3,719	4,638
		<b>150,451</b>	122,237
<b>Net current assets</b>		<b>370,428</b>	372,040
<b>Total assets less current liabilities</b>		<b>578,272</b>	593,860

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016 — unaudited

(Expressed in Hong Kong dollars)

	Notes	At 31 December 2016 \$'000	At 30 June 2016 \$'000
<b>Non-current liabilities</b>			
Obligations under financial lease		286	338
Retirement benefit obligations		1,253	1,253
Deferred tax liabilities		22,317	23,436
		<b>23,856</b>	25,027
<b>NET ASSETS</b>			
		<b>554,416</b>	568,833
<b>CAPITAL AND RESERVES</b>			
Share capital	13	107,519	107,519
Reserves		435,894	450,199
<b>Equity attributable to owners of the Company</b>		<b>543,413</b>	557,718
<b>Non-controlling interests</b>		<b>11,003</b>	11,115
<b>Total equity</b>		<b>554,416</b>	568,833

The notes on pages 9 to 23 form part of this interim financial report.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2016 — unaudited  
(Expressed in Hong Kong dollars)

Notes	Attributable to owners of the Company								Non-controlling interests	Total
	Share capital	Share premium	Capital redemption reserve	Special reserve	Asset revaluation reserve	Translation reserve	Retained profits	Total		
	\$'000	\$'000	\$'000	(note) \$'000	\$'000	\$'000	\$'000	\$'000		
<b>Balance at 1 July 2015</b>	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 operation outside Hong Kong	-	-	-	-	-	(8,243)	-	(8,243)	(259)	(8,502)
Reclassification of translation reserve upon loss of control in subsidiaries	-	-	-	-	-	(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 interest upon loss of control in subsidiaries	-	-	-	-	-	-	-	-	(8,637)	(8,637)
Dividends paid in respect of the previous year	6	-	-	-	-	-	(10,752)	(10,752)	(2,400)	(13,152)
<b>Balance at 31 December 2015 and 1 January 2016</b>	107,519	1,499	233	7,139	72,499	(198)	365,265	553,956	10,496	564,452
Exchange difference arising on translation of operation outside Hong Kong	-	-	-	-	-	965	-	965	(22)	943
Remeasurement of provision for long service payments	-	-	-	-	-	-	(64)	(64)	-	(64)
Profit for the period	-	-	-	-	-	-	13,613	13,613	641	14,254
Total comprehensive income	-	-	-	-	-	965	13,549	14,514	619	15,133
Dividends declared and paid in respect of the current year	6	-	-	-	-	-	(10,752)	(10,752)	-	(10,752)
<b>Balance at 30 June 2016 and 1 July 2016</b>	107,519	1,499	233	7,139	72,499	767	368,062	557,718	11,115	568,833

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2016 — unaudited  
(Expressed in Hong Kong dollars)

	Attributable to owners of the Company							Total	Non-controlling interests	Total
	Share capital	Share premium	Capital redemption reserve	Special reserve (note)	Asset revaluation reserve	Translation reserve	Retained profits			
Notes	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at 30 June 2016 and 1 July 2016</b>	107,519	1,499	233	7,139	72,499	767	368,062	557,718	11,115	568,833
Exchange difference arising on translation of operation outside Hong Kong	-	-	-	-	-	(5,254)	-	(5,254)	(152)	(5,406)
Profit for the period	-	-	-	-	-	-	1,701	1,701	640	2,341
<b>Total comprehensive income</b>	-	-	-	-	-	(5,254)	1,701	(3,553)	488	(3,065)
Dividends paid in respect of the previous year	6	-	-	-	-	-	(10,752)	(10,752)	(600)	(11,352)
<b>Balance at 31 December 2016</b>	107,519	1,499	233	7,139	72,499	(4,487)	359,011	543,413	11,003	554,416

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 23 form part of this interim financial report.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2016 — unaudited  
(Expressed in Hong Kong dollars)

	Notes	Six months ended 31 December	
		2016 \$'000	2015 \$'000
<b>Net cash used in operating activities</b>		<b>(3,459)</b>	(5,355)
<b>Investing activities</b>			
Cash disposed of upon loss of control in subsidiaries		–	(7,609)
Purchase of property, plant and equipment		<b>(14,333)</b>	(3,551)
Proceeds from disposal of property, plant and equipment		<b>114</b>	155
Interest income		<b>350</b>	948
<b>Net cash used in investing activities</b>		<b>(13,869)</b>	(10,057)
<b>Financing activities</b>			
Capital element of finance lease rentals paid		<b>(64)</b>	(23)
Interest element of finance lease rentals paid		<b>(27)</b>	(1)
Interest paid		<b>(75)</b>	(108)
Dividends paid to owners of the Company	6	<b>(10,752)</b>	(10,752)
Dividends paid to holders of non-controlling interests		<b>(600)</b>	(2,400)
<b>Net cash used in financing activities</b>		<b>(11,518)</b>	(13,284)



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2016 — unaudited  
(Expressed in Hong Kong dollars)

	Notes	Six months ended 31 December	
		2016 \$'000	2015 \$'000
<b>Net decrease in cash and cash equivalents</b>		<b>(28,846)</b>	(28,696)
<b>Cash and cash equivalents at 1 July</b>		<b>166,680</b>	169,215
<b>Effect of foreign exchange rate changes</b>		<b>(151)</b>	(548)
<b>Cash and cash equivalents at 31 December, represented by bank balances and cash</b>		<b>137,683</b>	139,971

The notes on pages 9 to 23 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 23 February 2017.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 annual financial statements. The 2016 annual financial statements represent the consolidated financial statements for the year ended 30 June 2016, which was approved and authorised for issue by the board of directors on 26 August 2016. 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 2016 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”).



## 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 24 and 25.

The financial information relating to the financial year ended 30 June 2016 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 2016 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 26 August 2016.

## 2 **Changes in accounting policies**

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these amendments are relevant to the Group.

The Group also 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.

### 3 Segment information – (Continued)

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 2016 and 30 June 2016.

### 4 Profit before tax

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

	Note	Six months ended	
		2016	2015
		\$'000	\$'000
<b>(a) Finance costs</b>			
Interest expense on bank borrowings wholly repayable within five years		75	108
Finance charges on obligations under finance leases		27	1
<b>(b) Other items</b>			
Depreciation of property, plant and equipment		10,158	11,019
Amortisation of prepaid land lease payments		24	24
Provision for bad debts		4,662	–
Allowance for obsolete inventories (included in cost of sales)		7,283	4,145
Gain arising from reclassification of translation reserve upon loss of control in subsidiaries		–	(4,260)
Exchange loss, net		89	7,279
Gain on disposal of property, plant and equipment		(96)	(116)
Interest income		(350)	(948)
Fair value gain of derivative financial instrument	14	(1,210)	–
Increase in fair value of investment properties		(300)	–

## 5 Income tax expense

	Six months ended	
	31 December	
	2016	2015
	\$'000	\$'000
<b>Current tax:</b>		
Hong Kong Profits Tax	493	3,861
Other jurisdictions	586	436
	<b>1,079</b>	4,297
<b>Deferred tax:</b>		
Origination and reversal of temporary differences	(168)	(1,272)
	<b>911</b>	3,025

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 liabilities in relation to investment properties, accelerated tax depreciation and unrealised loss on inventories.

## 6 Dividends

- (i) Dividends payable to equity shareholders attributable to the interim period

	<b>2016</b>	2015
	<b>\$'000</b>	\$'000
Interim dividend declared and paid after the interim period of \$0.05 per share (2015: \$0.05 per share)	<b>10,752</b>	10,752

- (ii) Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2016</b>	2015
	<b>\$'000</b>	\$'000
Final 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 2015: \$0.05 per share)	<b>10,752</b>	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	
	2016	2015
	\$'000	\$'000
Profit for the period attributable to the owners of the Company for the purpose of basic earnings per share	1,701	18,685
	Number of shares	Number of shares
Number of weighted average 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 ended 31 December 2016, the Group acquired items of property, plant and equipment with a cost of \$14,333,000 (six months ended 31 December 2015: \$4,125,000).

During the period ended 31 December 2016, one of the Group's investment properties was reclassified as asset held for sale. Details of such transaction are set out in Note 10.

Except as noted above, the Group's remaining 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 remaining investment properties for the six months ended 31 December 2016 (six months ended 31 December 2015: \$nil).



## 9 Interest in 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 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.

There had been no changes to the terms of the Shareholders’ agreement during the six months ended 31 December 2016.

## 10 Investment property held for sale

One of the Group’s investment properties was classified as asset held for sale as management committed to a plan to sell the property and a sale and purchase agreement was signed in December 2016. The sale is expected to be completed by end of February 2017.

The Group re-measured the property to its fair value as at period end by making reference to the consideration of \$19,000,000 as stated in the sale and purchase agreement. A revaluation gain of \$300,000 was recognised in the statement of profit or loss and other comprehensive income as other income during the period ended 31 December 2016.



## 11 Debtors and other receivables

Included in the balance are trade debtors of \$178,174,000 (at 30 June 2016: \$171,272,000). The Group allows an average credit period of 45 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:

	<b>At 31 December 2016 \$'000</b>	<b>At 30 June 2016 \$'000</b>
Current	<b>161,007</b>	158,401
1 – 30 days overdue	<b>7,424</b>	6,929
31 – 60 days overdue	<b>2,877</b>	5,014
Over 60 days overdue	<b>6,866</b>	928
	<b>178,174</b>	171,272

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.

## 12 Creditors and accrued charges

Included in the balance are trade creditors of \$88,554,000 (at 30 June 2016: \$65,527,000). 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:

	<b>At 31 December 2016 \$'000</b>	<b>At 30 June 2016 \$'000</b>
Current	<b>73,338</b>	52,282
1 – 30 days overdue	<b>10,291</b>	11,576
31 – 60 days overdue	<b>2,573</b>	1,492
Over 60 days overdue	<b>2,352</b>	177
	<b>88,554</b>	65,527

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 2016		At 30 June 2016	
	No. of shares	Amount \$'000	No. of shares	Amount \$'000
<b>Ordinary shares of \$0.50 each</b>				
<i>Authorised:</i>				
At 1 July and 31 December/ 30 June	<b>300,000,000</b>	<b>150,000</b>	300,000,000	150,000
<i>Issued and fully paid:</i>				
At 1 July and 31 December/ 30 June	<b>215,037,625</b>	<b>107,519</b>	215,037,625	107,519

## 14 Fair value measurement of financial instrument

### 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

## 14 Fair value measurement of financial instrument — (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, subject to and conditional upon New Horizon becoming a majority shareholder of Charming, 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. This 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	28.8% to 30%	30%
		Weighted average cost of capital ("WACC")	N/A	16.4%
		Expected volatility	N/A	37.99%

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.

## 14 Fair value measurement of financial instrument — (Continued)

As at 31 December 2016, 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 increased/decreased total comprehensive income by \$1,228,000/\$1,667,000;
- Weighted Average Cost of Capital by 3% would have increased/decreased the Group's profit after tax and decreased/increased total comprehensive income by \$1,222,000/\$814,000; and
- Expected volatility by 10% would have decreased/increased the Group's profit after tax and increased/decreased total comprehensive income by \$753,000/\$841,000.

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

	\$'000
<b>Derivative financial instrument (asset):</b>	
At 30 June 2016	3,639
Changes in fair value recognised in profit or loss during the period ( <i>note 4</i> )	1,210
At 31 December 2016	4,849

### ***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 31 December 2016 and 30 June 2016.

## 15 Capital commitments

	At 31 December 2016 \$'000	At 30 June 2016 \$'000
Contracted for	8,052	2,916
Authorised but not contracted for	–	–
	<b>8,052</b>	2,916

## 16 Operating lease commitments

### The Group as lessee

At 31 December 2016, 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 2016 \$'000	At 30 June 2016 \$'000
Within one year	14,566	11,418
In the second to fifth year inclusive	29,550	19,600
After five years	1,947	2,475
	<b>46,063</b>	33,493

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

## 16 Operating lease commitments – (Continued)

### The Group as lessor

At 31 December 2016, the Group had contracted with tenants for the following future minimum lease payments:

	<b>At 31 December 2016 \$'000</b>	<b>At 30 June 2016 \$'000</b>
Within one year	<b>3,708</b>	4,128
In the second to fifth year inclusive	<b>3,233</b>	5,317
	<b>6,941</b>	9,445

## 17 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 \$52,183,000 (for the six months ended 31 December 2015: \$46,965,000).

As at 31 December 2016, the balance of trade receivables from VdV amounting to approximately \$5,665,000 (at 30 June 2016: \$4,718,000) was included in debtors and other receivables.

As at 31 December 2016 and 30 June 2016, 25.66% of the Company's ordinary shares were held by VdV.

## 17 Material related party transactions — (Continued)

### (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	
	2016	2015
	\$'000	\$'000
Salaries and other benefits	<b>7,868</b>	8,323
Retirement benefit scheme contributions	<b>63</b>	63
	<b>7,931</b>	8,386

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 23 which comprises the consolidated statement of financial position of Top Form International Limited (the “Company”) as of 31 December 2016 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 2016 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

23 February 2017



## SUMMARY OF GROUP PROPERTIES

### Investment properties

Location	Existing use	Term of lease
Levels 6 to 8 of Block 523, Bagualing Industrial Zone, Futian District, Shenzhen City, Guangdong Province, the PRC ( <i>note 1</i> )	Industrial	Medium
Twenty units on Level 1 of Bagualing Single Apartment Block 29 (Type B), Bagua 2nd Road, Futian District, Shenzhen City, Guangdong Province, the PRC ( <i>note 1</i> )	Residential	Medium
Portion A on Level 6 (twelve units on the west) of Pengji Single Apartment Block 44, Bagualing Industrial Zone, Futian District, Shenzhen City, Guangdong Province, the PRC ( <i>note 2</i> )	Residential	Medium
Level 4 of Block 424, Bagualing Industrial Zone, Bagua 3rd Road, Futian District, Shenzhen City, Guangdong Province, the PRC ( <i>note 3</i> )	Industrial	Medium



Location	Existing use	Term of lease
Workshop Units 1-3, 14-16 on 13th Floor of Block A, Hang Wai Industrial Centre, No. 6 Kin Tai Street, Tuen Mun, New Territories, Hong Kong ( <i>note 4</i> )	Industrial	Medium

*Notes:*

1. The properties were held for investment purposes at each of the five years ended 30 June 2016 and at 31 December 2016.
2. The property was held for investment purposes at each of the four years ended 30 June 2016 and at 31 December 2016.
3. The property was held for investment purposes at each of the three years ended 30 June 2016 and at 31 December 2016.
4. The property was held for investment purposes at each of the three years ended 30 June 2016. This property was reclassified as investment property held for sale during the period ended 31 December 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	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Manufacturing	534,626	618,047	11,007	31,105
Corporate	-	-	(7,755)	(8,050)
	<b>534,626</b>	618,047	<b>3,252</b>	23,055


The first half results of our fiscal year continue to reflect the weakness of business demand and tightening of inventory levels we saw in the second half of last fiscal year.

For the six months ended 31 December 2016, the Group recorded sales revenue of HK\$535 million, representing a decrease of 13% as compared to HK\$618 million of sales recorded in the corresponding period last year. Profit after tax decreased by 90%, from HK\$20 million to HK\$2 million during the six months period.

### MANUFACTURING

During the period, in monetary terms, 50% of our sales were made to the US market, while 35% of our sales were made to the EU, and the rest of the world accounted for the remaining 15%. Sales to the EU market has shown a moderate increase during the period but the weakness in demand in the US market has resulted in the decrease in the Group's revenue of 13% during the period.

The gross profit margin maintained at 18% for the period with average selling price showing a modest increase due to a lower proportion of sales in price sensitive products during this half. Operating environment continues to be difficult. Rising operating costs remained the major challenge confronting us. Material prices remained stable.



Similar to last fiscal year, our capacity remained balanced between our overseas and China plants. The production from the overseas plants accounted for 62% of our global output and China accounted for the remaining 38%. We foresee the operating environment continues to be challenging with cost increases such as the rise in statutory minimum wages of Cambodia since 1 January 2017 by 9%. Managing efficient capacity and remaining flexible to the market needs will be the ongoing development for the Group for the remainder of the fiscal year.

The general and administrative expenses increased by 7% during the period mainly due to the engagement of additional staffs and managers for our operations and the professional fees incurred on new order planning & management system for optimizing our overall business process.

## **CORPORATE**

Corporate expenditure for the period amounted to HK\$7.8 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\$543 million as at 31 December 2016. Bank balances and cash amounted to HK\$138 million whilst the credit facilities available to the Group amounted to HK\$159 million.

Inventory turnover period remained at 63 days as compared to 62 days in the corresponding period last year.

Capital expenditure incurred during the period amounted to HK\$14 million which was mainly spent on machineries and software.

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 2016.



## **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 are pegged with US dollars. The Group manages its foreign exchange exposure by performing regular reviews and by taking prudent measures to minimize the currency translation risk.

## **OUTLOOK AND FUTURE DEVELOPMENT**

The general outlook of the market remains challenging. We intend to continue managing our production facilities effectively and maintain our current capacity to mitigate the short term challenges. We will continue to assess the strategic and cost effectiveness of the operations and optimize our business processes. While we do not expect an upturn in financial performance in the near future, the actions taken today will provide us a solid foundation to grow the business when the market returns.

## DIRECTORS' OR CHIEF EXECUTIVES' INTERESTS

As at 31 December 2016, 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”), 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. 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, 41.36% 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 2016.

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 2016, 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 sections 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 2016, 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 2016.

## **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 2016 (six months ended 31 December 2015: HK\$0.05 per share) to its shareholders whose names will appear on the registers of members of the Company on 15 March 2017. The interim dividend will be paid on 29 March 2017.

## **CLOSURE OF REGISTERS OF MEMBERS**

The main and branch registers of members of the Company will be closed from 14 March 2017 to 15 March 2017 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 13 March 2017.

## **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 2016 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 2016, 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 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 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 of 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 2016 Annual Report of the Company are set out below:

Mr. Kenneth Wong, the executive director of the Company, was no longer the Chairman of Hong Kong Intimate Apparel Industries' Association ("HKIAIA") but became the Honorary Chairman of HKIAIA with effect from 1 December 2016.

Mr. Kenneth Wong has also been appointed as a panel member of the Hong Kong Textiles and Clothing Research Projects Assessment under Innovation and Technology Fund for the period from 1 January 2017 to 31 December 2018.

Ms. Leung Churk Yin, Jeanny, the independent non-executive director of the Company, has been appointed as an executive director of Altus Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange since 17 October 2016.

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 2016, the Group had employed approximately 8,068 employees (30 June 2016: approximately 7,825 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*

23 February 2017