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TOP FORM INTERNATIONAL LIMITED

黛麗斯國際有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 333)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS BETWEEN THE GROUP AND VDV

References are made to the announcements of the Company dated 18 September 2005, 18 June 2008, 1 April 2011, 9 April 2014, 30 April 2014 and 10 April 2017 in respect of the continuing connected transactions between the Group and VDV.

As the 4th Renewal Agreement will expire on 30 June 2020 and the Group expects that the continuing connected transactions will continue on a recurring basis, the Company entered into the 5th Renewal Agreement with VDV to renew the terms of the Master Agreement for a further three years commencing from 1 July 2020 and ending on 30 June 2023 to continue the sale of ladies' intimate apparel by the Group to VDV.

Given that (i) Mr. Lucas A.M. Laureys and Mr. Herman Van de Velde, the non-executive director and the chairman of VDV respectively, are non-executive Directors of the Company; (ii) Mr. Herman Van de Velde and the two daughters of Mr. Lucas A.M. Laureys (associates of Mr. Lucas A.M. Laureys under Chapter 14A of the Listing Rules) hold an indirect equity interest of 56.26% in VDV via a jointly controlled corporation; and (iii) VDV, a substantial shareholder of the Company, is beneficially and directly interested in approximately 25.66% of the entire issued share capital of the Company, the transactions between the Group and VDV contemplated under the 5th Renewal Agreement therefore constitute continuing connected transactions for the Company under Rule 14A.31 of the Listing Rules.

* *For identification purpose only*

As one or more of the applicable percentage ratios in respect of the annual cap for each of the three financial years ending 30 June 2021, 2022 and 2023 exceeds 5%, the continuing connected transactions under the 5th Renewal Agreement are subject to the reporting, announcement, and Independent Shareholders' approval requirements, and annual review by the independent non-executive Directors and the auditors of the Company under Chapter 14A of the Listing Rules. As the continuing connected transactions are of a revenue nature in the ordinary and usual course of business of the Company, pursuant to Rule 14.04(1)(g) of the Listing Rules, the continuing connected transactions will be exempted from the requirements under Chapter 14 of the Listing Rules.

An Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders as to whether the terms of the 5th Renewal Agreement and the relevant annual caps of the underlying transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. An Independent Financial Adviser has also been appointed to advise the Independent Board Committee and the Independent Shareholders in this respect.

A circular containing, among other things, (i) the details of the 5th Renewal Agreement and the relevant annual caps of the underlying transactions contemplated therein; (ii) the letters from Independent Board Committee and Independent Financial Adviser; (iii) the notice of SGM; and (iv) other information as required under the Listing Rules will be despatched to the Shareholders as soon as practicable but no later than Monday, 4 May 2020.

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS BETWEEN THE GROUP AND VDV

References are made to the announcements of the Company dated 18 September 2005, 18 June 2008, 1 April 2011, 9 April 2014, 30 April 2014 and 10 April 2017 in respect of the continuing connected transactions between the Group and VDV.

The Company entered into the Master Agreement, the 1st Renewal Agreement, the 2nd Renewal Agreement, the 3rd Renewal Agreement and the 4th Renewal Agreement with VDV with regard to the sale of ladies' intimate apparel by the Group to VDV. Given that the 4th Renewal Agreement will expire on 30 June 2020 and that the continuing connected transactions thereunder are expected to continue on a recurring basis, the Company entered into the 5th Renewal Agreement with VDV to renew the terms of the Master Agreement for a further three years commencing from 1 July 2020 and ending on 30 June 2023 to continue the sale of ladies' intimate apparel to VDV.

DETAILS OF THE 5TH RENEWAL AGREEMENT

Date of the agreement: 7 April 2020

The subject: Sale of ladies' intimate apparel by the Group to VDV

Parties involved: (a) the Group, as the seller; and

(b) VDV, as the purchaser

Duration of the agreement: Three years from 1 July 2020 to 30 June 2023. Thereafter, subject to compliance with the applicable Listing Rules, the 5th Renewal Agreement may be renewed for each and every three-year interval in the future.

Pricing policy: The 5th Renewal Agreement sets out the framework of the pricing policy. The actual pricing and the terms and conditions of payment shall be determined between the parties on each purchase order basis. The ladies' intimate apparel manufactured by the Group varies in design, features, complexity and manufacturing time. The selling price of each product is determined by reference to the total costs per product, plus a certain range of markup rate of no less than 5%. The markup rate is determined by reference to different product category and will be varied from different value added procedures and manufacturing time of each product in different product category. Such sales will be satisfied in cash within a period of 7 days or 30 days (applicable as the case may be).

All the price quotations to VDV would be prepared by the sales teams of the Group and subject to the review and pre-approval of an executive Director (who does not have any material interests in the transactions). The executive Director will compare the gross profit margin of sales to VDV to those of sales to other independent third party customers of the same product category with similar features, complexity and manufacturing time. If the terms of the orders offered by VDV after the price negotiations are below the lower limit of the markup rate, the Group may choose not to accept the orders placed by VDV. By doing so, the Directors consider that the sales transactions are conducted on normal commercial terms and on terms no more favourable than those charged by the Group to other independent third party customers and not prejudicial to the interests of the Company and its Shareholders as a whole.

HISTORICAL TRANSACTION AMOUNTS AND THE ANNUAL CAPS

The sale of ladies' intimate apparel by the Group to VDV for the two financial years ended 30 June 2018 and 2019 were approximately HK\$103.9 million and HK\$102.8 million, representing approximately 8.1% and 8.4% of the Group's audited consolidated turnover of the respective financial years. For the six months ended 31 December 2019, sale of ladies' intimate apparel by the Group to VDV was approximately HK\$36.3 million, representing approximately 5.6% of the Group's unaudited consolidated turnover of that period.

The proposed annual caps for the sale of ladies' intimate apparel by the Group to VDV for the three financial years ending 30 June 2023 will be HK\$160 million for the year ending 30 June 2021, HK\$170 million for the year ending 30 June 2022 and HK\$180 million for the year ending 30 June 2023, respectively. In determining the above annual caps, the Directors considered (i) the historical sales figures as mentioned above, (ii) provision of more value added production procedures and technology, (iii) the discussions between the management of the Company and VDV in arriving at the annual caps and the projections of annual growth rate of sales for the three financial years ending 30 June 2023, and (iv) the prevailing and the expected market conditions.

For the avoidance of doubt, these annual caps represent the maximum value of sales by the Group to VDV in each year. There is no minimum or implied value of sales in each of these years.

INTERNAL CONTROL MEASURES

In order to ensure that the transactions contemplated under the 5th Renewal Agreement will be conducted in accordance with the terms of the 5th Renewal Agreement and the pricing policy, the Company has adopted the following internal control procedures:

- The senior management of the Company will monitor the total transaction amounts and projected sales amount with VDV that may possibly be incurred in the coming months on a monthly basis to ensure the amount of transactions contemplated under the 5th Renewal Agreement will not exceed the proposed annual caps;
- The finance department of the Company will conduct regular checks on the sales transactions with VDV to monitor the transaction amounts and will review and assess the fairness of the transaction terms and pricing terms;
- The Company's external auditors will conduct annual review on the pricing policy and the annual caps of transactions contemplated under the 5th Renewal Agreement; and
- The independent non-executive Directors will conduct annual review on the transactions contemplated under the 5th Renewal Agreement and make annual confirmation in the Company's annual report.

REASONS FOR ENTERING INTO THE 5TH RENEWAL AGREEMENT AND THE TRANSACTIONS CONTEMPLATED THEREUNDER

The Company is an investment holding company. The principal business activities of the Group are the design, manufacture and distribution of ladies' intimate apparel, principally brassieres.

VDV is a manufacturer and marketer of luxury lingerie.

For the past 38 years, the Group has been supplying ladies' intimate apparel to VDV. It is anticipated that the Group will continue to carry out such transactions on a recurring basis. In order to continue the sale of ladies' intimate apparel by the Group to VDV, the Company entered into the 5th Renewal Agreement to renew the terms of the Master Agreement for a period of three years ending 30 June 2023.

The transactions contemplated under the 5th Renewal Agreement are expected to continue on a recurring basis in the ordinary and usual course of business, on normal commercial terms agreed after arm's length negotiations between the Group and VDV. The Directors (excluding the independent non-executive Directors who will express their view after taking into account the recommendation of the Independent Financial Adviser) are of the view that the terms of the 5th Renewal Agreement and the annual caps of the underlying transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Given that (i) Mr. Lucas A.M. Laureys and Mr. Herman Van de Velde, the non-executive director and the chairman of VDV respectively, are non-executive Directors of the Company; (ii) Mr. Herman Van de Velde and the two daughters of Mr. Lucas A.M. Laureys (associates of Mr. Lucas A.M. Laureys under Chapter 14A of the Listing Rules) hold an indirect equity interest of 56.26% in VDV via a jointly controlled corporation; and (iii) VDV, a substantial shareholder of the Company, is beneficially and directly interested in approximately 25.66% of the entire issued share capital of the Company, the transactions between the Group and VDV contemplated under the 5th Renewal Agreement therefore constitute continuing connected transactions for the Company under Rule 14A.31 of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the annual cap for each of the three financial years ending 30 June 2021, 2022 and 2023 exceeds 5%, the continuing connected transactions under the 5th Renewal Agreement are subject to the reporting, announcement and Independent Shareholders' approval requirements, and annual review by the independent non-executive Directors and the auditors of the Company under Chapter 14A of the Listing Rules. As the continuing connected transactions are of a revenue nature in the ordinary and usual course of business of the Company, pursuant to Rule 14.04(1)(g) of the Listing Rules, the continuing connected transactions will be exempted from the requirements under Chapter 14 of the Listing Rules.

FORMATION OF AN INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders as to whether the terms of the 5th Renewal Agreement and the relevant annual caps of the underlying transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. An Independent Financial Adviser has also been appointed to advise the Independent Board Committee and the Independent Shareholders in this respect.

CIRCULAR

A circular containing, among other things, (i) the details of the 5th Renewal Agreement and the relevant annual caps of the underlying transactions contemplated thereunder; (ii) the letters from the Independent Board Committee and Independent Financial Adviser; and (iii) the notice of SGM; and (iv) other information as required under the Listing Rules will be despatched to the Shareholders as soon as practicable but no later than Monday, 4 May 2020.

SGM

A SGM will be convened as soon as practicable to approve the 5th Renewal Agreement and the relevant annual caps of the underlying transactions contemplated thereunder by the Independent Shareholders of the Company. Mr. Lucas A.M. Laureys, Mr. Herman Van de Velde, VDV and their respective associates will abstain from voting on the resolution to be passed at the SGM.

DEFINITIONS

“associates”	has the meaning as defined under the Listing Rules
“Board”	the board of Directors
“Company”	Top Form International Limited, an exempted company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Independent Board Committee”	an independent board committee, comprising all the independent non-executive Directors, has been formed to advise the Independent Shareholders in respect of the terms of the 5th Renewal Agreement and the relevant annual caps of the underlying transactions contemplated under the 5th Renewal Agreement

“Independent Financial Adviser”	Veda Capital Limited, a licensed corporation to conduct Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), which is the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the 5th Renewal Agreement and the relevant annual caps of the underlying transactions contemplated under the 5th Renewal Agreement
“Independent Shareholders”	Shareholders other than Mr. Lucas A.M. Laureys, Mr. Herman Van de Velde, VDV and their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Agreement”	the master agreement dated 18 September 2005 entered into between the Company and VDV with regard to the sale of ladies’ intimate apparel by the Group to VDV
“1st Renewal Agreement”	the renewal agreement dated 12 June 2008 entered into between the Company and VDV to renew the terms of the Master Agreement for a period from 1 July 2008 to 30 June 2011
“2nd Renewal Agreement”	the renewal agreement dated 1 April 2011 entered into between the Company and VDV to further renew the terms of the Master Agreement for a period from 1 July 2011 to 30 June 2014
“3rd Renewal Agreement”	the renewal agreement dated 9 April 2014 entered into between the Company and VDV to further renew the terms of the Master Agreement for a period from 1 July 2014 to 30 June 2017
“4th Renewal Agreement”	the renewal agreement dated 10 April 2017 entered into between the Company and VDV to further renew the terms of the Master Agreement for a period from 1 July 2017 to 30 June 2020
“5th Renewal Agreement”	the renewal agreement dated 7 April 2020 entered into between the Company and VDV to further renew the terms of the Master Agreement for a period from 1 July 2020 to 30 June 2023

“SGM”	a special general meeting of the Company to be held to consider and approve the 5th Renewal Agreement and the annual caps of the underlying transactions contemplated under the 5th Renewal Agreement
“Share(s)”	the ordinary share(s) of HK\$0.50 each in the share capital of the Company
“Shareholder(s)”	holders of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“VDV”	Van de Velde N. V., a company incorporated in Belgium and the securities of which are listed on the Euronext Brussels stock exchange
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

By order of the Board
Top Form International Limited
Wong Chung Chong
Chairman

Hong Kong, 7 April 2020

As at the date of this announcement, the Board comprises Mr. Wong Chung Chong, Mr. Wong Kai Chung, Kevin and Mr. Wong Kai Chi, Kenneth as executive directors; Mr. Fung Wai Yiu, Mr. Lucas A.M. Laureys and Mr. Herman Van de Velde as non-executive directors; and Ms. Leung Churk Yin, Jeanny, Mr. Leung Ying Wah, Lambert and Mr. Lin Sun Mo, Willy as independent non-executive directors.