



**TOP FORM**  
INTERNATIONAL LIMITED

STOCK CODE: 333

INTERIM REPORT  
2014

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 31 December 2013 — unaudited  
(Expressed in Hong Kong dollars)

	Notes	Six months ended	
		2013	2012
		\$'000	\$'000
<b>Revenue</b>		<b>540,448</b>	547,759
Cost of sales		<b>(446,853)</b>	(458,140)
<b>Gross profit</b>		<b>93,595</b>	89,619
Other revenue and net income		<b>9,843</b>	8,427
Selling and distribution expenses		<b>(10,321)</b>	(17,196)
General and administrative expenses		<b>(80,315)</b>	(83,601)
Finance costs		<b>(70)</b>	(93)
<b>Profit/(loss) before taxation</b>	4	<b>12,732</b>	(2,844)
Income tax	5	<b>(3,350)</b>	(459)
<b>Profit/(loss) for the period</b>		<b>9,382</b>	(3,303)
<b>Attributable to:</b>			
Owners of the Company		<b>8,402</b>	(3,350)
Non-controlling interests		<b>980</b>	47
<b>Profit/(loss) for the period</b>		<b>9,382</b>	(3,303)
<b>Earnings/(loss) per share</b>	7		
Basic and diluted		<b>0.8 cents</b>	(0.3) cents

The notes on pages 7 to 19 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 2013 — unaudited

(Expressed in Hong Kong dollars)

	Six months ended	
	31 December	
	2013	2012
	\$'000	\$'000
<b>Profit/(loss) for the period</b>	<b>9,382</b>	(3,303)
<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 operations outside Hong Kong	<b>318</b>	2,903
<b>Total comprehensive income for the period</b>	<b>9,700</b>	(400)
<b>Attributable to:</b>		
Owners of the Company	<b>8,607</b>	(532)
Non-controlling interests	<b>1,093</b>	132
<b>Total comprehensive income for the period</b>	<b>9,700</b>	(400)

The notes on pages 7 to 19 form part of this interim financial report.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013 — unaudited

(Expressed in Hong Kong dollars)

	Notes	At 31 December 2013 \$'000	At 30 June 2013 \$'000
<b>Non-current assets</b>			
Property, plant and equipment	8	136,852	144,627
Prepaid lease payments		1,647	1,671
Investment properties	8	59,597	58,877
Prepaid rental payments		3,102	3,859
Deferred tax assets		1,318	3,131
		<b>202,516</b>	212,165
<b>Current assets</b>			
Inventories		197,570	152,040
Debtors and other receivables	9	130,034	132,458
Bills receivable	10	32,169	13,523
Prepaid lease payments		48	48
Current tax recoverable		1,091	2,288
Bank balances and cash		133,784	136,010
		<b>494,696</b>	436,367
<b>Current liabilities</b>			
Creditors and accrued charges	11	150,144	110,717
Current tax payable		1,372	1,761
		<b>151,516</b>	112,478
<b>Net current assets</b>		<b>343,180</b>	323,889
<b>Total assets less current liabilities</b>		<b>545,696</b>	536,054

	<i>Note</i>	<b>At 31 December 2013 \$'000</b>	At 30 June 2013 \$'000
<b>Non-current liabilities</b>			
Retirement benefit obligations		<b>2,173</b>	2,173
Deferred tax liabilities		<b>15,457</b>	15,515
		<b>17,630</b>	17,688
<b>Net assets</b>			
		<b>528,066</b>	518,366
<b>Capital and reserves</b>			
Share capital	12	<b>107,519</b>	107,519
Reserves		<b>400,911</b>	392,304
<b>Equity attributable to owners of the Company</b>			
		<b>508,430</b>	499,823
<b>Non-controlling interests</b>			
		<b>19,636</b>	18,543
<b>Total equity</b>			
		<b>528,066</b>	518,366

The notes on pages 7 to 19 form part of this interim financial report.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2013 — unaudited  
(Expressed in Hong Kong dollars)

	Attributable to owners of the Company							Total \$'000	Non- controlling interests \$'000	Total \$'000
	Share capital \$'000	Share premium \$'000	Capital redemption reserve \$'000	Special reserve \$'000 <i>(note)</i>	Asset revaluation reserve \$'000	Translation reserve \$'000	Retained profits \$'000			
<b>Balance at 1 July 2012</b>	107,519	1,499	233	7,139	36,775	11,200	333,461	497,826	17,421	515,247
Exchange difference arising on translation of operations outside Hong Kong	-	-	-	-	-	2,818	-	2,818	85	2,903
(Loss)/profit for the period	-	-	-	-	-	-	(3,350)	(3,350)	47	(3,303)
Total comprehensive income	-	-	-	-	-	2,818	(3,350)	(532)	132	(400)
<b>Balance at 31 December 2012 and 1 January 2013</b>	107,519	1,499	233	7,139	36,775	14,018	330,111	497,294	17,553	514,847
Exchange difference arising on translation of operations outside Hong Kong	-	-	-	-	-	463	-	463	394	857
Gain on revaluation of property upon transfer to investment property	-	-	-	-	4,032	-	-	4,032	-	4,032
Deferred tax liability arising on gain on revaluation of properties	-	-	-	-	(1,008)	-	-	(1,008)	-	(1,008)
(Loss)/profit for the period	-	-	-	-	-	-	(958)	(958)	596	(362)
Total comprehensive income	-	-	-	-	3,024	463	(958)	2,529	990	3,519
<b>Balance at 30 June 2013 and 1 July 2013</b>	107,519	1,499	233	7,139	39,799	14,481	329,153	499,823	18,543	518,366
Exchange difference arising on translation of operations outside Hong Kong	-	-	-	-	-	205	-	205	113	318
Profit for the period	-	-	-	-	-	-	8,402	8,402	980	9,382
Total comprehensive income	-	-	-	-	-	205	8,402	8,607	1,093	9,700
<b>Balance at 31 December 2013</b>	107,519	1,499	233	7,139	39,799	14,686	337,555	508,430	19,636	528,066

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

The notes on pages 7 to 19 form part of this interim financial report.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2013 — unaudited  
(Expressed in Hong Kong dollars)

	Six months ended	
	2013	2012
	\$'000	\$'000
<b>Net cash generated from/(used in) operating activities</b>	<b>5,642</b>	(21,563)
<b>Investing activities</b>		
Purchase of property, plant and equipment	(8,891)	(3,891)
Proceeds from disposal of property, plant and equipment	501	198
Interest income	837	713
<b>Net cash used in investing activities</b>	<b>(7,553)</b>	(2,980)
<b>Financing activities</b>		
Interest paid	(70)	(93)
Repayment of bank borrowings	(459)	(468)
New borrowings raised	459	805
<b>Net cash (used in)/generated from financing activities</b>	<b>(70)</b>	244
<b>Net decrease in cash and cash equivalents</b>	<b>(1,981)</b>	(24,299)
<b>Cash and cash equivalents at 1 July</b>	<b>136,010</b>	145,665
<b>Effect of foreign exchange rate changes</b>	<b>(245)</b>	427
<b>Cash and cash equivalents at 31 December, represented by bank balances and cash</b>	<b>133,784</b>	121,793

The notes on pages 7 to 19 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 21 February 2014.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 annual financial statements. Details of these 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 (the “Group”) since the 2013 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).



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 20 and 21.

The financial information relating to the financial year ended 30 June 2013 that is included in the interim financial report as being previously reported 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 2013 are available from the Company's registered office. The predecessor auditors, Deloitte Touche Tohmatsu, have expressed an unqualified opinion on those financial statements in their report dated 28 August 2013.

## 2 Changes in accounting policies

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*
- HKFRS 10, *Consolidated financial statements*
- HKFRS 12, *Disclosure of interests in other entities*
- HKFRS 13, *Fair value measurement*
- Revised HKAS 19, *Employee benefits*
- *Annual Improvements to HKFRSs 2009–2011 Cycle*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

***Amendments to HKAS 1, Presentation of financial statements – Presentation of items of other comprehensive income***

The amendments to HKAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in these financial statements has been modified accordingly.

***HKFRS 10, Consolidated financial statements***

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements*, relating to the preparation of consolidated financial statements and Hong Kong (SIC) Interpretation 12, *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its interests in subsidiaries as at 1 July 2013.

***HKFRS 12, Disclosure of interests in other entities***

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in this interim financial report as a result of adopting HKFRS 12.

### ***HKFRS 13, Fair value measurement***

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial report. The adoption of HKFRS 13 does not have any material impact on the Group's interim financial report.

### ***Revised HKAS 19, Employee benefits***

Revised HKAS 19 introduces a number of amendments to the accounting for defined benefit plans. Under the revised standard, all actuarial gains and losses are required to be recognised immediately in other comprehensive income. Revised HKAS 19 also changed the basis for determining income from plan assets from expected return to interest income calculated at the liability discount rate, and requires immediate recognition of past service cost, whether vested or not. The adoption of HKAS 19 does not have any material impact on the interim financial report of the Group. Additional disclosures will be included in the annual financial statements.

### ***Annual improvements to HKFRSs 2009–2011 Cycle***

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. The amendments do not have any impact on the interim financial report.

## **3 Segment information**

For the purpose of resources allocation and performance assessment, the Group's executive directors, being the Group's chief operating decision maker, review the operations on a plant by plant basis. No discrete financial information is available for each plant and the Group's executive directors review financial information on a consolidated basis. The Group has therefore only one operating segment, namely manufacturing and sale of ladies' intimate apparel, for the six months ended 31 December 2013 and 31 December 2012.

The accounting policies of the financial information reviewed by executive directors are the same as the Group's accounting policies. Segment revenue is the consolidated revenue of the Group. Segment profit or loss is the consolidated profit or loss after tax of the Group.

All the Group's assets and liabilities are under the manufacturing business as at 31 December 2013 and 30 June 2013.

#### 4 Profit/(loss) before taxation

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

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2013</b>	2012
	<b>\$'000</b>	\$'000
<hr/>		
<b>(a) Finance costs</b>		
Interest expense on bank borrowings wholly repayable within five years	<b>70</b>	93
<hr/>		
<b>(b) Other items</b>		
Depreciation of property, plant and equipment	<b>14,017</b>	15,220
Amortisation of prepaid lease payments	<b>24</b>	24
(Gain)/loss on disposal of property, plant and equipment	<b>(286)</b>	72
Exchange gain, net	<b>(1,836)</b>	(2,201)
Interest income	<b>(837)</b>	(713)
(Reversal of allowance)/allowance for obsolete inventories (included in cost of sales)	<b>(519)</b>	1,867
<hr/>		

## 5 Income tax

	Six months ended	
	31 December	
	2013	2012
	\$'000	\$'000
<b>Current tax:</b>		
Hong Kong Profits Tax	637	544
Other jurisdictions	1,141	743
	1,778	1,287
<b>Deferred tax:</b>		
Charge/(credit) for the period	1,572	(828)
	3,350	459

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 assets in relation to the unused tax losses of subsidiaries and deferred tax liabilities in relation to accelerated tax depreciation and unrealised loss on inventories.

## 6 Dividends

	Six months ended	
	31 December	
	2013	2012
	\$'000	\$'000
Dividends recognised as distribution during the period:		
<b>2013 final dividend paid:</b>		
HK\$nil per share (2012: 2012 final dividend of HK\$nil per share)	–	–
<b>Dividend declared:</b>		
Interim dividend ( <i>Note</i> )	<b>10,752</b>	–

*Note:* Subsequent to the end of the interim reporting period, an interim dividend of \$0.01 per share (six months ended 31 December 2012: \$nil per share) has been declared by the directors of the Company for the six months ended 31 December 2013.

## 7 Earnings/(loss) per share

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

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2013</b>	2012
	<b>\$'000</b>	\$'000
Profit/(loss) for the period attributable to the owners of the Company for the purpose of basic earnings/(loss) per share	<b>8,402</b>	(3,350)
	Number of shares	Number of shares
Number of ordinary shares for the purpose of basic earnings/(loss) per share	1,075,188,125	1,075,188,125

There was no dilutive effect on earnings/(loss) 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 \$8,891,000 (six months ended 31 December 2012: \$3,891,000).

In December 2013, the Group entered into a provisional sale and purchase agreement to dispose of leasehold land and building at a consideration of HK\$18,680,000. The expected completion date of the disposal is on 28 February 2014. The net book value of the leasehold land and buildings held for disposal is immaterial.

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 2013 (six months ended 31 December 2012: \$nil).

## 9 Debtors and other receivables

Included in the balance are trade debtors of \$108,842,000 (at 30 June 2013: \$111,042,000). The Group allows an average credit period of 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:

	<b>At 31 December 2013 \$'000</b>	At 30 June 2013 \$'000
Current	<b>88,452</b>	96,028
1 — 30 days overdue	<b>18,909</b>	12,570
31 — 60 days overdue	<b>929</b>	1,110
Over 60 days overdue	<b>552</b>	1,334
	<b>108,842</b>	111,042

## 10 Bills receivable

As at 31 December 2013 and 30 June 2013, all bills receivable are aged within 30 days. The Group does not hold any collateral over these balances.



## 11 Creditors and accrued charges

Included in the balance are trade creditors of \$88,430,000 (at 30 June 2013: \$49,085,000). The average credit period for purchases of goods is 45 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 2013 \$'000</b>	At 30 June 2013 \$'000
Current	<b>76,604</b>	45,322
1 – 30 days overdue	<b>8,054</b>	3,088
31 – 60 days overdue	<b>2,617</b>	268
Over 60 days overdue	<b>1,155</b>	407
	<b>88,430</b>	49,085

## 12 Share capital

	Number of shares	\$'000
<b>Ordinary shares of HK\$0.10 each</b>		
<i>Authorised:</i>		
At 1 July 2012, 31 December 2012, 1 July 2013 and 31 December 2013	1,500,000,000	150,000
<i>Issued and fully paid:</i>		
At 1 July 2012, 31 December 2012, 1 July 2013 and 31 December 2013	1,075,188,125	107,519

### 13 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 2013 and 31 December 2013.

### 14 Operating lease commitments

#### *The Group as lessee*

At 31 December 2013, the Group had future aggregate minimum lease payment under non-cancellable operating leases in respect of land and buildings, which fall due as follows:

	<b>At 31 December 2013 \$'000</b>	At 30 June 2013 \$'000
Within one year	<b>12,487</b>	10,569
In the second to fifth year inclusive	<b>29,619</b>	18,773
Over five years	<b>11,127</b>	12,510
	<b>53,233</b>	41,852

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 2013, the Group had contracted with tenants for the following future minimum lease payments:

	<b>At 31 December 2013 \$'000</b>	At 30 June 2013 \$'000
Within one year	<b>3,340</b>	2,825
In the second to fifth year inclusive	<b>10,357</b>	10,674
Over five years	<b>–</b>	22
	<b>13,697</b>	13,521

## **15 Capital commitments outstanding not provided for in the interim financial report**

	<b>At 31 December 2013 \$'000</b>	At 30 June 2013 \$'000
Contracted for	<b>1,048</b>	1,776

## **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 \$44,169,000 (for the six months ended 31 December 2012: \$33,155,000).

As at 31 December 2013, the balance of trade receivables from VdV amounting to approximately \$6,962,000 (at 30 June 2013: \$2,370,000) was included in debtors and other receivables.

As at 31 December 2013 and 30 June 2013, 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:

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2013</b>	2012
	<b>\$'000</b>	\$'000
Salaries and other benefits	<b>8,704</b>	7,601
Retirement benefit scheme contributions	<b>60</b>	36
	<b>8,764</b>	7,637

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 19 which comprises the consolidated statement of financial position of Top Form International Limited (the “Company”) as of 31 December 2013 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 2013 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  
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Central, Hong Kong

21 February 2014

## MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 31 December 2013, the Group recorded a profit after taxation of HK\$9.4 million on HK\$540 million of sales compared with a loss of HK\$3.3 million on HK\$548 million of sales revenue in the corresponding period last year.

During the period, in monetary terms, 52% of our sales were to the US market whilst sales to the EU represented 29% and the rest of the world accounted for 19%.

China accounted for 49% of our global output, Thailand 46% and Cambodia 5%. Following our strategic plan to expand the capacity overseas, our China capacity has been dwarfed to less than 50% (from 57% recorded in the same period a year ago) of the global capacity during the period. Gross profit margin improved slightly from 16% to 17%.

Our ongoing efforts in maintaining cost control and competitiveness in all areas of the Group's business have brought encouraging result as reflected from the decline in both selling and distribution expenses and general and administrative expenses during the period.

The political and social unrests in Thailand exacerbated since last November have not affected the operations of our plants located near the Northwestern border of the country.

In Cambodia, however, several non-government labor unions during the period orchestrated a demand for massive increase in minimum wage. As wage negotiations between the labor unions and the government broke down, the labor unions staged industry-wide strikes and street demonstrations, forcing most of the manufacturers including our factory in Phnom Penh to suspend operation from last December to early January. For the six months under review, our Cambodia operation accounted for 5% of our global capacity. In order to minimize the negative impacts brought on by the labor unrest to business, we have reshuffled our orders between Cambodia and our other regions. We have no plan to increase our Cambodia capacity in the short term but we shall review our options when the labor situation stabilizes. As of this time of writing, the minimum wage in Cambodia is increased by 25% effective from February, 2014.

Corporate expenditure for the period amounted to HK\$6.9 million compared to HK\$7.4 million in the corresponding period last year and capital expenditure was HK\$8.9 million for the current period.

The financial position of the Group remains healthy with shareholders' funds standing at HK\$508 million as at 31 December 2013. Credit facilities available to the Group amounted to HK\$159 million.

Your Board of Directors has resolved to declare an interim dividend of HK\$0.01 per share. No interim dividend was paid last year.

Looking ahead, the recent release of economic data seems to suggest a relatively stable economy in the major markets. While we do not expect the present business environment to go worse than what we have gone through, we are mindful of the still flat and price driven demand in business. We will continue to strengthen our product capability and seek for low cost capacity expansion to maintain our competitiveness and long term growth.

The dispute on statutory wage increase between the Cambodian government and the labour unions in Phnom Penh are causes for concerns on our operations. We will closely monitor the situation and take necessary steps to respond to the disruptions, if any, to our operation in this country.



## DIRECTORS' INTERESTS

As at 31 December 2013, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company or its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

### Long positions:

#### Ordinary shares of HK\$0.10 each of the Company

Name of Director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Fung Wai Yiu	Beneficial owner and interests held by spouse ( <i>note 1</i> )	43,308,521	4.03%
Wong Chung Chong, Eddie	Beneficial owner and interests held by spouse and trust ( <i>note 2</i> )	195,272,118	18.16%
Wong Kai Chi, Kenneth	Beneficiary of trust ( <i>note 3</i> )	175,591,597	16.33%
Wong Kai Chung, Kevin	Beneficiary of trust ( <i>note 3</i> )	175,591,597	16.33%
Marvin Bienenfeld	Beneficial owner	870,521	0.08%
Chow Yu Chun, Alexander	Beneficial owner	3,400,521	0.32%
Leung Churk Yin, Jeanny	Beneficial owner	70,521	0.01%
Leung Ying Wah, Lambert	Beneficial owner	400,000	0.04%
Herman Van de Velde	Interests held by controlled corporation ( <i>note 4</i> )	275,923,544	25.66%

*Notes:*

1. 23,092,521 shares were beneficially owned by Mr. Fung Wai Yiu ("Mr. Fung") whereas 20,216,000 shares were held by the spouse of Mr. Fung.
2. 18,580,521 shares were beneficially owned by Mr. Wong Chung Chong, Eddie ("Mr. Wong") or his nominees whereas 1,100,000 shares were held by the spouse of Mr. Wong and 175,591,597 shares were registered in the name of High Union Holdings Inc., the shares of which were held by Safeguard Trustee Limited, a trustee of a family trust of which the family members of Mr. Wong were eligible beneficiaries.
3. 175,591,597 shares were registered in the name of High Union Holdings Inc., the shares of which were held by Safeguard Trustee Limited, a trustee of Mr. Wong's family trust of which Mr. Wong Kai Chi, Kenneth and Mr. Wong Kai Chung, Kevin were eligible beneficiaries.
4. 275,923,544 shares were held by Van de Velde N.V. ("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 2013.

Save as disclosed above, none of the Directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2013, the interests and short positions of the persons (other than the Directors) in the shares, underlying shares and debentures of the Company as recorded in the register maintained by the Company pursuant to section 336 of the SFO were as follows:

### Long positions:

*Ordinary shares of HK\$0.10 each of the Company*

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Number of issued ordinary shares held</b>	<b>Percentage of the issued share capital of the Company</b>
Van de Velde N.V.	Beneficial owner	275,923,544	25.66%
High Union Holdings Inc.	Beneficial owner	175,591,597	16.33%
V.F. Corporation	Beneficial owner	106,000,000	9.86%

## SHARE OPTIONS

Pursuant to a resolution passed on 3 November 2011 (the "Adoption Date"), the Company's share option scheme adopted on 22 November 2001 (the "Old Scheme") was terminated and a new share option scheme (the "Scheme") 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 of Directors of the Company (the "Board"), and the Scheme will end on 2 November 2021. Under the Scheme, the Board may grant options to any 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 (the “Scheme Limit”). With prior approval from the Company’s shareholders, the Company may refresh the Scheme Limit by 10% of the shares of the Company in issue as at the date of such shareholders’ approval. The number of shares in respect of which options may be granted to any individual in any 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 any substantial shareholders or any independent non-executive directors in any 12-month period in excess of 0.1% of the Company’s 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 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, the average closing price of the shares for the five business days immediately preceding the date of offer and the nominal value of the shares of the Company.

During the six months ended 31 December 2013, no outstanding options were held by Directors and employees of the Company, and no options were granted, exercised, cancelled or lapsed under the Old Scheme and 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 2013.

## INTERIM DIVIDEND

The Board has resolved to declare the payment of an interim dividend of HK\$0.01 per share for the six months ended 31 December 2013 (six months ended 31 December 2012: Nil) to its shareholders whose names appear on the registers of members of the Company on 11 March 2014. The interim dividend will be paid on 20 March 2014.

## CLOSURE OF REGISTERS OF MEMBERS

The main and branch registers of members of the Company will be closed on 10 and 11 March 2014 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 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 7 March 2014.

## 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 2013 has been reviewed by the Audit Committee and KPMG, auditor of the Company.

## CORPORATE GOVERNANCE

During the six months ended 31 December 2013, the Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (“the Listing Rules”), 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. However, they are subject to retirement by rotation and re-election at the annual general meetings of the Company at least once every three years in accordance with the Company’s Bye-laws.

Code Provision A.4.2 also provides that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The Chairman and the Group Managing Director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. In the opinion of the Board, it is important for the stability and growth of the Company that there is, and is seen to be, continuity of leadership in the roles of Chairman and Group Managing Director and, in consequence, the Board is of the view that both should not be subject to retirement by rotation or hold office for a limited term at the present time.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code for dealing in securities of the Company by the Directors. Based on specific enquiry of all its Directors, the Company considers that the Directors complied with the required standards set out in the Model Code throughout the period under review.

Employees who are likely to be in possession of unpublished inside information of the Company are also subject to compliance with guidelines on no less exacting terms than the Model Code.

## EMPLOYEES

As at 31 December 2013, the Group had employed approximately 8,484 employees (30 June 2013: approximately 8,139 employees). The remuneration policy and package of the Group’s employees are structured by reference to market terms and statutory requirements as appropriate. In addition, the Group also provides other staff benefits such as medical insurance, mandatory provident fund contributions and a share option scheme to its employees.

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

Hong Kong, 21 February 2014