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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)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2014**

The board of directors (the “Board”) of Top Form International Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 31 December 2014 as follows:

#### **CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*For the six months ended 31 December 2014*

		<b>Six months ended</b>	
		<b>31 December</b>	
		<b>2014</b>	<b>2013</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue</b>	3	<b>581,649</b>	540,448
Cost of sales		<b>(469,286)</b>	(446,853)
<b>Gross profit</b>		<b>112,363</b>	93,595
Other income and gains		<b>6,039</b>	9,843
Selling and distribution expenses		<b>(12,228)</b>	(10,321)
General and administrative expenses		<b>(84,291)</b>	(80,315)
Finance costs		<b>(187)</b>	(70)
<b>Profit before taxation</b>	4	<b>21,696</b>	12,732
Income tax	5	<b>(4,640)</b>	(3,350)
<b>Profit for the period</b>		<b>17,056</b>	9,382

\* For identification purpose only

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)***For the six months ended 31 December 2014*

		<b>Six months ended</b>	
		<b>31 December</b>	
		<b>2014</b>	<b>2013</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Attributable to:</b>			
Owners of the Company		<b>16,023</b>	8,402
Non-controlling interests		<b>1,033</b>	980
		<hr/>	<hr/>
<b>Profit for the period</b>		<b>17,056</b>	9,382
		<hr/> <hr/>	<hr/> <hr/>
			(Restated)
<b>Profit per share</b>			
Basic	7	<b>HK\$0.07</b>	HK\$0.04
		<hr/> <hr/>	<hr/> <hr/>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME**

*For the six months ended 31 December 2014*

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2014</b>	2013
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>Profit for the period</b>	<b>17,056</b>	9,382
<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>114</b>	318
<b>Total comprehensive income for the period</b>	<b>17,170</b>	9,700
<b>Attributable to:</b>		
Owners of the Company	<b>16,124</b>	8,607
Non-controlling interests	<b>1,046</b>	1,093
<b>Total comprehensive income for the period</b>	<b>17,170</b>	9,700

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December 2014*

		At <b>31 December</b> <b>2014</b> <b>(Unaudited)</b> <i>Notes</i> <b>HK\$'000</b>	At 30 June 2014 <b>(Audited)</b> <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>121,445</b>	125,871
Prepaid lease payments		<b>1,599</b>	1,623
Investment properties		<b>101,553</b>	101,553
Prepaid rental payments		<b>2,310</b>	3,075
		<hr/> <b>226,907</b>	<hr/> 232,122
 <b>Current assets</b>			
Inventories		<b>178,748</b>	177,347
Debtors and other receivables	8	<b>163,600</b>	188,892
Bills receivable	9	<b>1,063</b>	2,982
Prepaid lease payments		<b>48</b>	48
Current tax recoverable		<b>519</b>	1,136
Bank balances and cash		<b>176,663</b>	129,160
		<hr/> <b>520,641</b>	<hr/> 499,565
 <b>Current liabilities</b>			
Creditors and accrued charges	10	<b>144,307</b>	125,575
Current tax payable		<b>6,848</b>	2,619
		<hr/> <b>151,155</b>	<hr/> 128,194
 <b>Net current assets</b>		 <hr/> <b>369,486</b>	 <hr/> 371,371
 <b>Total assets less current liabilities</b>		 <hr/> <b>596,393</b>	 <hr/> 603,493

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)***At 31 December 2014*

	At <b>31 December</b> <b>2014</b> <b>(Unaudited)</b> <i>HK\$'000</i>	At 30 June 2014 <b>(Audited)</b> <i>HK\$'000</i>
<b>Non-current liabilities</b>		
Retirement benefit obligations	1,576	1,576
Deferred tax liabilities	<u>23,491</u>	<u>24,257</u>
	<u>25,067</u>	<u>25,833</u>
<b>Net assets</b>	<u><u>571,326</u></u>	<u><u>577,660</u></u>
<b>Capital and reserves</b>		
Share capital	107,519	107,519
Reserves	<u>444,056</u>	<u>449,436</u>
<b>Equity attributable to owners of the Company</b>	<u>551,575</u>	556,955
<b>Non-controlling interests</b>	<u>19,751</u>	<u>20,705</u>
<b>Total equity</b>	<u><u>571,326</u></u>	<u><u>577,660</u></u>

## NOTES TO THE INTERIM FINANCIAL RESULTS

For the six months ended 31 December 2014

### 1. BASIS OF PREPARATION

This results announcement 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 12 February 2015.

The results announcement has been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements. Details of any changes in accounting policies are set out in note 2.

### 2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and one new Interpretation that are first effective for the current accounting period of the Group and the Company:

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*
- Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*
- Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting*
- HK(IFRIC) 21, *Levies*

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or Interpretation that is not yet effective for the current accounting period.

### 3. SEGMENT INFORMATION

Revenue represents the sale value of goods. The Group manages its business as a single unit and, accordingly, the manufacturing and sale of ladies’ intimate apparel is the only reportable segment and virtually all of the turnover and operating profits is derived from this business segment. The consolidated financial statements are already presented in a manner consistent with the way in which information is reported internally to the Company’s executive directors, being the chief operating decision maker, for the purposes of resources allocation and operating performance review.

The chief operating decision maker regularly assesses available production capacity on a plant by plant basis, however, no discrete financial information is available for each plant for the purpose of resources allocation and operating performance review. The chief operating decision maker reviews financial information on a consolidated basis. Accordingly, no separate business segment information is disclosed.

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

All the Group’s assets and liabilities are under the manufacturing business as at 31 December 2014 and 30 June 2014.

#### 4. PROFIT BEFORE TAXATION

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

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2014</b>	2013
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
(a) Finance costs		
Interest expense on bank borrowings wholly repayable within five years	<u>187</u>	<u>70</u>
(b) Other items		
Depreciation of property, plant and equipment	12,290	14,017
Amortisation of prepaid lease payments	24	24
Allowance for obsolete inventories (included in cost of sales)	5,720	4,516
Exchange loss/(gain), net	3,536	(1,836)
Gain on disposal of property, plant and equipment	(75)	(286)
Interest income	<u>(1,174)</u>	<u>(837)</u>

#### 5. INCOME TAX

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2014</b>	2013
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Current tax:		
Hong Kong Profits Tax	4,696	637
Other jurisdictions	<u>710</u>	<u>1,141</u>
	<b>5,406</b>	1,778
Deferred tax:		
(Credit)/charge for the period	<u>(766)</u>	<u>1,572</u>
	<u><b>4,640</b></u>	<u>3,350</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The Group has recognised deferred tax liabilities in relation to accelerated tax depreciation and unrealised loss on inventories.

## 6. DIVIDENDS

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2014</b>	2013
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
2014 final and special dividend declared and paid during the interim period: 2014 final dividend of HK\$0.05 per share (2013: HK\$nil per share) and 2014 special dividend of HK\$0.05 per share (2013: HK\$nil per share)	<u><b>21,504</b></u>	<u>–</u>
Dividend proposed after the end of the interim period:		
Interim dividend ( <i>Notes (a) and (b)</i> )	<u><b>10,752</b></u>	<u>10,752</u>

*Note:*

- (a) Subsequent to the end of the interim reporting period, an interim dividend of HK\$0.05 per share has been declared by the directors of the Company for the six months ended 31 December 2014.
- (b) For the six months ended 31 December 2013, an interim dividend of HK\$0.01 per share was paid before the share consolidation had taken place. The aggregate interim dividends of every five shares are equivalent to HK\$0.05 per share after incorporating the effect of share consolidation. Further details of share consolidation are set out in note 7.

## 7. PROFIT PER SHARE

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

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2014</b>	2013
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Profit for the period attributable to the owners of the Company for the purpose of basic profit per share	<u><b>16,023</b></u>	<u>8,402</u>
		<b>Number of shares</b>
		(Restated)
Number of ordinary shares for the purpose of basic profit per share	<u><b>215,037,625</b></u>	<u>215,037,625</u>

There was no dilutive effect on profit per share because there are no dilutive potential ordinary shares outstanding for both periods.

On 22 May 2014, an ordinary resolution was passed in a special general meeting of the Company that every five issued and unissued shares of HK\$0.10 each in the share capital of the Company be consolidated into one share of HK\$0.50 each.



As a result of the share consolidation, the number of ordinary shares for the purpose of computing basic profit per share for the six months ended 31 December 2013 has been restated as if the share consolidation had taken place on 1 July 2013.

## 8. DEBTORS AND OTHER RECEIVABLES

Included in the balance are trade debtors of HK\$139,279,000 (at 30 June 2014: HK\$167,983,000). 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 2014 (Unaudited) HK\$'000</b>	At 30 June 2014 (Audited) HK\$'000
Current	<b>125,633</b>	128,281
1–30 days overdue	<b>10,997</b>	38,131
31–60 days overdue	<b>1,790</b>	736
Over 60 days overdue	<b>859</b>	835
	<u><b>139,279</b></u>	<u>167,983</u>

As the Group's average credit period is 30 days, a majority of the balances which as disclosed above are within 90 days from the invoice date.

## 9. BILLS RECEIVABLE

As at 31 December 2014 and 30 June 2014, all bills receivable are aged within 30 days. The Group does not hold any collateral over these balances.

## 10. CREDITORS AND ACCRUED CHARGES

Included in the balance are trade creditors of HK\$79,057,000 (at 30 June 2014: HK\$64,165,000). 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 2014 (Unaudited) HK\$'000</b>	At 30 June 2014 (Audited) HK\$'000
Current	<b>66,439</b>	53,453
1–30 days overdue	<b>9,376</b>	7,448
31–60 days overdue	<b>3,076</b>	2,465
Over 60 days overdue	<b>166</b>	799
	<u><b>79,057</b></u>	<u>64,165</u>

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.

## MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 31 December 2014, the Group recorded an increase in sales, gross profit margin and profit after taxation when compared with the corresponding period last year.

Sales revenue increased by 8% from HK\$540 million to HK\$582 million, whilst profit attributable to the Group increased by 91%, from HK\$8 million to HK\$16 million.

During the period, in monetary terms, 52% of our sales were to the US market whilst sales to the EU represented 28% and the rest of the world accounted for 20%. While less than 6% of our sales revenue are received in EURO, the weakening in EURO against US dollar resulted in a foreign exchange loss of HK\$1.6 million recorded in the current period.

China accounted for 49% of our global output, Thailand 46% and Cambodia 5%. During the six months period under review, gross profit margin increased from 17% to 19% whilst it remained flat when compared with the second half of last fiscal year. Labor shortage and rising labor costs continued to impact the manufacturing operations. This cost pressure was eased by the favorable currency movement of Thai Baht and RMB against US dollar to our manufacturing operations during the period. Material prices remained stable.

The production performance of all regions we operate remained stable during the six months period under review. The dwindling supply of labor force continues to be the major challenge of our operations in China. We have further expanded the capacity of our Thailand plants by adding new headcounts while maintaining the existing China capacity. In November, the Ministry of Labor in Phnom Penh, Cambodia announced further increase in statutory minimum wage by 28% with effect from 1 January 2015. Meanwhile, this new minimum wage level in Cambodia remains the lowest amongst our portfolio of production locations. We will continue to improve the cost efficiency and productivity of the Cambodian plant. We will be mindful of the dispute between the Cambodian government and labor unions when considering further development in this country.

The new satellite plant in Myanmar was originally scheduled to start operation in this fiscal year. It is expected to be delayed as we are awaiting for certain registration documents from the local authority. We will closely monitor the progress and review our options on the operations. We remain optimistic on the business opportunities in this country.

Corporate expenditure for the period amounted to HK\$6.4 million compared to HK\$6.9 million in the corresponding period last year and capital expenditure was HK\$8.5 million for the current period.

The financial position of the Group is healthy with shareholders' funds standing at HK\$552 million as at 31 December 2014. Credit facilities available to the Group amounted to HK\$159 million.

Your Board of Directors has resolved to pay an interim dividend of HK\$0.05 per share.

Looking ahead, the market situation remains lackluster. The plunge in global oil prices together with the launch of new quantitative easing program in the Euro zone brings about uncertainties in the global economy. Consumer behavior in our major markets remains cautious and spending continues to be price driven. Starting from 1 January 2015, further increase in the mandated social benefit rate in the PRC and the increase in statutory minimum wage in Cambodia has added cost pressure to our manufacturing operations. Given the challenging market conditions and operating environment, we will continue to manage our capacity efficiently and cautiously expand our offshore plants with the objectives of maintaining our competitiveness as well as sustaining the growth of the business.

## **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 2014.

## **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 2014 (six months ended 31 December 2013: HK\$0.01 per share before 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), with the aggregate interim dividends of every five shares equivalent to HK\$0.05 per share after incorporating the effect of the share consolidation) to its shareholders whose names will appear on the registers of members of the Company on 6 March 2015. The interim dividend will be paid on 18 March 2015.

## **CLOSURE OF REGISTERS OF MEMBERS**

The main and branch registers of members of the Company will be closed on 4 March 2015 to 6 March 2015 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 3 March 2015.

## **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 2014 has been reviewed by the Audit Committee and KPMG, auditor of the Company.

## **CORPORATE GOVERNANCE**

During the six months ended 31 December 2014, 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 of Hong Kong Limited (“Listing Rules”), except for the following deviations:

### **Code Provisions A.2.1, A.4.1 and A.4.2**

Code Provision A.2.1 provides that the role of chairman and chief executive should be separated and should not be performed by the same individual.

Since 31 October 2014, Mr. Fung Wai Yiu has retired as the Chairman and re-designated as the Non-executive Director of the Company and Mr. Wong Chung Chong (“Mr. Wong”) has taken over the role of Chairman in addition to his current role as the Group Managing Director of the Company. Mr. Wong is the co-founder of the Group and is well versed with the Group’s business operations. He attains extensive experience and is very knowledgeable in the brassiere manufacturing industry. The Board considers that the assumption of the role of Chairman by Mr. Wong in addition to his current role as the Group Managing Director will ensure the stability and smooth transition the Group during the interim period.

Code Provision A.4.1 provides 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, the continuity of leadership of Mr. Wong is important for the stability and growth of the Company and, in consequence, the Board is of the view that Mr. Wong 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 2014, the Group had employed approximately 8,162 employees (30 June 2014: approximately 7,937 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**  
**Wong Chung Chong**  
*Chairman and Group Managing Director*

12 February 2015

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