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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 2017

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 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 31 December 2017

		Six months ended	
		31 December	
		2017	2016
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Revenue	3	645,260	534,626
Cost of sales		(522,065)	(437,440)
Gross profit		123,195	97,186
Other net income		5,865	7,185
Selling and distribution expenses		(12,585)	(14,072)
General and administrative expenses		(93,838)	(91,916)
Finance costs	4(a)	(158)	(102)
Share of profits of a joint venture		2,437	4,971
Other expenses	8	(3,141)	–
Profit before tax	4	21,775	3,252
Income tax expense	5	(2,480)	(911)
Profit for the period		19,295	2,341

* For identification purpose only

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)*For the six months ended 31 December 2017*

		Six months ended	
		31 December	
		2017	2016
		(Unaudited)	(Unaudited)
	<i>Note</i>	HK\$'000	HK\$'000
Attributable to:			
Owners of the Company		19,834	1,701
Non-controlling interests		(539)	640
		<hr/>	<hr/>
Profit for the period		19,295	2,341
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share			
Basic	7	HK\$9.22 cents	HK\$0.79 cents
		<hr/> <hr/>	<hr/> <hr/>

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

For the six months ended 31 December 2017

	Six months ended	
	31 December	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period	19,295	2,341
Other comprehensive income:		
Item that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of operations outside Hong Kong		
— subsidiaries	6,308	(4,725)
— a joint venture	805	(681)
Release of translation reserve upon deemed disposal of interest in a joint venture	(25)	—
Other comprehensive income for the period, net of income tax	7,088	(5,406)
Total comprehensive income for the period	26,383	(3,065)
Attributable to:		
Owners of the Company	26,795	(3,553)
Non-controlling interests	(412)	488
Total comprehensive income for the period	26,383	(3,065)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

		At 31 December 2017 (Unaudited) HK\$'000	At 30 June 2017 (Audited) HK\$'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		111,169	111,622
Prepaid land lease payments		1,456	1,480
Investment properties		87,584	84,180
Deferred tax assets		2,078	–
Derivative financial instrument		4,426	4,313
Interest in a joint venture	8	24,812	24,736
Prepaid rental payments		784	936
		<u>232,309</u>	<u>227,267</u>
Current assets			
Inventories		160,149	150,284
Debtors and other receivables	9	249,743	209,694
Prepaid land lease payments		48	48
Current tax recoverable		500	1,105
Bank balances and cash		104,351	133,300
		<u>514,791</u>	<u>494,431</u>
Current liabilities			
Creditors and accrued charges	10	147,736	139,300
Obligations under finance lease		151	145
Current tax payable		2,825	4,210
		<u>150,712</u>	<u>143,655</u>
Net current assets		<u>364,079</u>	<u>350,776</u>
Total assets less current liabilities		<u>596,388</u>	<u>578,043</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*At 31 December 2017*

	At 31 December 2017 (Unaudited) <i>HK\$'000</i>	At 30 June 2017 (Audited) <i>HK\$'000</i>
Non-current liabilities		
Obligations under finance lease	138	205
Retirement benefit obligations	939	939
Deferred tax liabilities	23,780	20,999
	<u>24,857</u>	<u>22,143</u>
Net assets	<u>571,531</u>	<u>555,900</u>
Capital and reserves		
Share capital	107,519	107,519
Reserves	454,544	438,501
	<u>562,063</u>	<u>546,020</u>
Equity attributable to owners of the Company	562,063	546,020
Non-controlling interests	9,468	9,880
	<u>571,531</u>	<u>555,900</u>
Total equity	<u>571,531</u>	<u>555,900</u>

NOTES TO THE INTERIM FINANCIAL RESULTS

For the six months ended 31 December 2017

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 22 February 2018.

The financial results has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 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 several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in this results announcement.

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 revenue 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 adopted for the preparation of the financial information reviewed by executive directors are the same as those adopted in preparing the Group's 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 2017 and 30 June 2017.

4. PROFIT BEFORE TAX

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

	Six months ended 31 December	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
(a) Finance costs		
Interest expense on bank borrowings	141	75
Finance charges on obligations under finance leases	17	27
	<u>158</u>	<u>102</u>
(b) Other items		
Depreciation of property, plant and equipment	11,381	10,158
Release of prepaid land lease payments	24	24
(Reversal of provision)/provision for doubtful debts	(3,355)	4,662
Write back of allowance for inventories	(3,000)	–
Allowance for obsolete inventories (included in cost of sales)	10,259	7,283
Exchange loss, net	775	89
Loss/(gain) on disposal of property, plant and equipment	112	(96)
Interest income	(307)	(350)
Fair value gain of derivative financial instrument	(113)	(1,210)
Increase in fair value of investment properties	–	(300)
Loss on deemed disposal of interest in a joint venture (note 8)	3,141	–
	<u>11,185</u>	<u>10,420</u>

5. INCOME TAX EXPENSE

	Six months ended 31 December	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax:		
Hong Kong Profits Tax	1,360	493
Other jurisdictions	1,268	586
	<u>2,628</u>	<u>1,079</u>
Deferred tax:		
Origination and reversal of temporary differences	(148)	(168)
	<u>2,480</u>	<u>911</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 assets in relation to tax losses and deferred tax liabilities in relation to accelerated tax depreciation, revaluation gain on investment properties and unrealised loss on inventories.

6. DIVIDENDS

(i) Dividends payable to owners of the Company attributable to the interim period

	Six months ended 31 December	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interim dividend declared and paid after the interim period of HK\$0.05 per share (Six months ended 31 December 2016: HK\$0.05 per share)	<u>10,752</u>	<u>10,752</u>

(ii) Dividends payable to owners of the Company attributable to the previous financial year, approved and paid during the interim period

	Six months ended 31 December	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Special dividend in respect of the previous financial year, approved and paid during the following interim period, of HK\$0.05 per share (Six months ended 31 December 2016: HK\$Nil per share)	<u>10,752</u>	<u>–</u>
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK\$Nil per share (Six months ended 31 December 2016: HK\$0.05 per share)	<u>–</u>	<u>10,752</u>

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	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period attributable to the owners of the Company for the purpose of computing basic earnings per share	<u>19,834</u>	<u>1,701</u>
	Number of shares	
Number of weighted average of ordinary shares for the purpose of computing basic earnings per share	<u>215,037,625</u>	<u>215,037,625</u>

No dilutive earnings per share has been presented because there are no dilutive potential ordinary shares outstanding for both periods.

8. INTEREST IN A 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 (“Charming Group”) 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.

Based on the audited financial results of Charming Group as of 30 June 2017, the pre-agreed performance targets for Charming were met. As such, New Horizon subscribed for 71,089 new shares issued by Charming on 27 December 2017. As a result, New Horizon’s shareholding in Charming increased from 40% to 51%, while the Group’s shareholding in Charming diluted from 60% to 49% and a loss on deemed disposal of interest in a joint venture of HK\$3,141,000 was recognised by the Group in other expenses during the current period.

9. DEBTORS AND OTHER RECEIVABLES

Included in the balance are trade debtors, net of allowance for doubtful debt, of HK\$226,083,000 (at 30 June 2017: HK\$185,977,000). The Group allows an average credit period of 45 days to its trade customers.

Management of the Company assesses the credit quality of the trade debtors based on the payment due date. An ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired, based on the payment due date, at the end of the reporting period is as follows:

	At 31 December 2017 (Unaudited) HK\$'000	At 30 June 2017 (Audited) HK\$'000
Neither past due nor impaired	204,547	166,432
1–30 days past due	15,581	7,496
31–60 days past due	2,194	56
Over 60 days past due	353	394
	<u>222,675</u>	<u>174,378</u>

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.

10. CREDITORS AND ACCRUED CHARGES

Included in the balance are trade creditors of HK\$86,741,000 (at 30 June 2017: HK\$76,467,000). The average credit period for purchases of goods is 30 days.

An ageing analysis of trade creditors, based on the payment due date, at the end of the reporting period is as follows:

	At 31 December 2017 (Unaudited) HK\$'000	At 30 June 2017 (Audited) HK\$'000
Current	77,169	72,064
1–30 days past due	7,103	3,253
31–60 days past due	2,201	467
Over 60 days past due	268	683
	<u>86,741</u>	<u>76,467</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

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

	Revenue		Profit (Loss/expenses)	
	Six months ended 31 December 2017	2016	Six months ended 31 December 2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Manufacturing	645,260	534,626	30,034	11,007
Corporate	—	—	(8,259)	(7,755)
	<u>645,260</u>	<u>534,626</u>	<u>21,775</u>	<u>3,252</u>

For the six months ended 31 December 2017, the Group recorded an increase in sales revenue, gross profit margin and profit after tax when compared with the corresponding period last year.

Sales revenue increased by 21% from HK\$535 million to HK\$645 million. Profit after tax increased from HK\$2 million to HK\$19 million during the six months period.

MANUFACTURING

Sales performance improved during the six months period under review. In monetary terms, during the period, 63% of our sales were made to the US market, whilst 26% of our sales were made to the EU, and the rest of the world accounted for the remaining 11%. The improvement in sales revenue as compared to the prior corresponding period was mainly attributed to the improving US retail apparel environment. Average selling price rose as management continued to rebalance the sales mix in the face of rising operating costs.

With strengthening currencies, especially the Thai Baht and RMB against US dollars, and rising labor costs in all of our operating regions resulted in upward pressure on operating costs. Increased sales volume during the first half and the optimized cost structure of the plants offset the increased costs. As a result, overall gross profit margin increased slightly from 18% to 19% during the period.

Production from Thailand and Cambodian plants accounted for 64% of our global output with China making up the remaining 36%. During the period there was an overall increase in capacity as we added sewing operators and improved plants efficiencies. We believe with this capacity distribution, the Group will maintain a competitive advantage in serving our customers and be flexible to market demands.

CORPORATE

Corporate expenditure for the period amounted to HK\$8.3 million as compared to HK\$7.8 million in the corresponding period last year.

FINANCIAL POSITION

The financial position of the Group remains healthy with insignificant gearing. Shareholders' funds stood at HK\$562 million as at 31 December 2017. Bank balances and cash amounted to HK\$104 million while the credit facilities available to the Group amounted to HK\$159 million.

Inventory turnover period reduced to 55 days during the period from 63 days in the corresponding period last year mainly due to the improvement in inventory control management.

Capital expenditure during the period amounted to HK\$9 million which was mainly spent on machineries.

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 2017.

FOREIGN EXCHANGE RISK

The Group is mainly exposed to fluctuations in exchange rates of Euro, HK dollars, RMB, US dollars and Thai Baht. Majority of the sales revenue are denominated in US dollars, the foreign exchange exposure in respect of US dollars against HK dollars is considered minimal as HK dollars pegged with US dollars. The Group manages its foreign exchange exposure by performing regular review and by taking prudent measures to minimize the currency translation risk.

OUTLOOK AND FUTURE DEVELOPMENT

While the bottom of the recent cycle has passed and overall demand appears to be improving, the general outlook of the apparel industry remains challenging. Given the fast changing dynamics of today's consumer market and volatile trade environment over the coming year, we intend to continue investing in our existing facilities in both Jiangxi province, China and Northwestern Thailand. It is in our opinion by increasing capacity, improving overall manufacturing operations, along with optimizing the overall planning and business process will serve the business needs in the short term, as well as delivering long term sustainable growth and value to our shareholders.

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 2017.

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 2017 (six months ended 31 December 2016: HK\$0.05 per share) to its shareholders whose names will appear on the registers of members of the Company on 14 March 2018. The interim dividend will be paid on 28 March 2018.

CLOSURE OF REGISTERS OF MEMBERS

The main and branch registers of members of the Company will be closed from 13 March 2018 to 14 March 2018 for ascertaining the shareholder's entitlement to the 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 12 March 2018.

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 2017 has been reviewed by the Audit Committee and KPMG, auditors of the Company.

CORPORATE GOVERNANCE

The Company has, during the six months ended 31 December 2017, 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 of Hong Kong Limited (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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules of the Stock Exchange as its own code for dealing in securities of the Company by the Directors. Based on specific enquiry made with all Directors, the Company considers that the Directors complied with the required standard as set out in the Model Code throughout the period under review.

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

EMPLOYEES

As at 31 December 2017, the Group had employed approximately 7,975 employees (30 June 2017: approximately 8,538 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

22 February 2018

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.