



# TOP FORM INTERNATIONAL LIMITED

黛麗斯國際有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock Code: 333)

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2004

### CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2004

		For the six months ended	
		31 December	
		2004	2003
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Turnover	1	<b>656,450</b>	534,684
Cost of sales		<b>(438,331)</b>	(366,742)
Gross profit		<b>218,119</b>	167,942
Other operating income	2	<b>2,040</b>	2,108
Selling and distribution expenses		<b>(25,869)</b>	(22,508)
General and administrative expenses		<b>(76,691)</b>	(66,311)
Profit from operations	3	<b>117,599</b>	81,231
Finance costs		<b>(371)</b>	(543)
Profit before taxation		<b>117,228</b>	80,688
Taxation	4	<b>(24,507)</b>	(15,367)
Profit before minority interests		<b>92,721</b>	65,321
Minority interests		<b>(578)</b>	98

Profit attributable to shareholders		<b><u>92,143</u></b>	<u>65,419</u>
Dividend proposed	5	<b><u>26,938</u></b>	<u>21,427</u>
Earnings per share	6		
Basic		<b><u>8.6 cents</u></b>	<u>6.1 cents</u>
Diluted		<b><u>8.6 cents</u></b>	<u>6.1 cents</u>

## CONDENSED CONSOLIDATED BALANCE SHEET

At 31 December 2004

		31 December 2004 (Unaudited) <i>HK\$'000</i>	30 June 2004 (Audited) <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>147,048</b>	133,243
Interests in associates		–	–
Interests in a jointly controlled entity		–	865
		<b><u>147,048</u></b>	<u>134,108</u>
<b>Current assets</b>			
Inventories		<b>244,266</b>	160,269
Debtors, deposits and prepayments	7	<b>120,762</b>	120,714
Bills receivable		<b>3,360</b>	2,625
Bank balances and cash		<b><u>103,809</u></b>	<u>113,767</u>
		<b><u>472,197</u></b>	<u>397,375</u>

**Current liabilities**

Creditors and accrued charges	8	<b>146,614</b>	102,407
Taxation		<b>49,458</b>	42,259
Secured bank borrowings and other liabilities			
– due within one year		<b>9,046</b>	16,533
Obligations under finance leases			
– due within one year		<b>1,897</b>	1,801
		<u><b>207,015</b></u>	<u>163,000</u>

**Net current assets**

**265,182**      234,375

**Total assets less current liabilities**

**412,230**      368,483

**Non-current liabilities**

Secured bank borrowings and other liabilities

– due after one year		<b>252</b>	285
Obligations under finance leases - due after one year		<b>1,196</b>	1,308
Provision for long service payments		<b>4,520</b>	4,520
Deferred taxation		<b>9,218</b>	9,912

**15,186**      16,025

**397,044**      **352,458**

**Capital and reserves**

Share capital		<b>107,674</b>	107,135
Reserves		<b>267,790</b>	223,421

**375,464**      330,556

**Minority interests**

**21,580**      21,902

**397,044**      **352,458**

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2004**

**1. SEGMENT INFORMATION**

The business activities of the Group can be categorised into manufacturing business and branded business. Segment information in respect of these activities is as follows:

**Business segments**

*Six months ended 31 December 2004*

	<b>Manufacturing business HK\$'000</b>	<b>Branded business HK\$'000</b>	<b>Elimination HK\$'000</b>	<b>Consolidated HK\$'000</b>
Turnover				
External sales	647,079	9,371	–	656,450
Inter-segment sales	384	–	(384)	–
	<u>647,463</u>	<u>9,371</u>	<u>(384)</u>	<u>656,450</u>
Total sales				
	<u>647,463</u>	<u>9,371</u>	<u>(384)</u>	<u>656,450</u>
Results				
Segment results	<u>127,935</u>	<u>(2,538)</u>	<u>–</u>	125,397
Unallocated corporate expenses				(8,005)
Interest income				<u>207</u>
Profit from operations				<u>117,599</u>

*Six months ended 31 December 2003*

	Manufacturing business <i>HK\$'000</i>	Branded business <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover				
External sales	523,692	10,992	–	534,684
Inter-segment sales	<u>2,111</u>	<u>–</u>	<u>(2,111)</u>	<u>–</u>
Total sales	<u><u>525,803</u></u>	<u><u>10,992</u></u>	<u><u>(2,111)</u></u>	<u><u>534,684</u></u>
Results				
Segment results	<u><u>89,339</u></u>	<u><u>(3,559)</u></u>	<u><u>–</u></u>	85,780
Unallocated corporate expenses				(4,836)
Interest income				<u>287</u>
Profit from operations				<u><u>81,231</u></u>

## Geographical segments

The following table provides an analysis of the Group's sales by geographical market:

*Six months ended 31 December 2004*

	<b>Sales Contribution</b>	
	<b>revenue by</b>	<b>to profit</b>
	<b>geographical</b>	<b>from</b>
	<b>market</b>	<b>operations</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
United States of America	<b>506,957</b>	<b>100,232</b>
Europe	<b>93,676</b>	<b>18,521</b>
Australia and New Zealand	<b>24,551</b>	<b>4,854</b>
Asia (excluding Hong Kong)	<b>23,717</b>	<b>3,229</b>
Hong Kong	<b>7,549</b>	<b>(1,439)</b>
	<b><u>656,450</u></b>	<b><u>125,397</u></b>
Unallocated corporate expenses		<b>(8,005)</b>
Interest income		<b>207</b>
Profit from operations		<b><u>117,599</u></b>

*Six months ended 31 December 2003*

	Sales revenue by geographical market <i>HK\$'000</i>	Contribution to profit from operations <i>HK\$'000</i>
United States of America	407,646	76,311
Europe	83,312	6,900
Australia and New Zealand	19,145	3,585
Asia (excluding Hong Kong)	15,397	308
Hong Kong	9,184	(1,324)
	<u>534,684</u>	<u>85,780</u>
Unallocated corporate expenses		(4,836)
Interest income		<u>287</u>
Profit from operations		<u>81,231</u>

*Note:* Inter-segment sales are charged at prices determined by management with reference to market price.

## **2. OTHER OPERATING INCOME**

Other operating income includes:

	<b>For the six months ended</b>	
	<b>31 December</b>	
	<b>2004</b>	<b>2003</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Interest income	<u>207</u>	<u>287</u>

### 3. PROFIT FROM OPERATIONS

	For the six months ended	
	31 December	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit from operations has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	12,982	11,298
Cost of textile quota entitlements	7,050	8,661
Impairment loss arising in respect of:		
leasehold improvements	3,349	–
furniture, fixtures and equipment	1,628	–
	<hr/>	<hr/>
(included in cost of sales and general and administrative expenses of HK\$3,514,000 and HK\$1,463,000, respectively)	4,977	–
Bad debts written off	1,157	–
Gain on disposals of property, plant and equipment	(248)	–
	<hr/> <hr/>	<hr/> <hr/>

### 4. TAXATION

	For the six months ended	
	31 December	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax calculated at 17.5% (2003: 17.5%) on the estimated assessable profit for the period	21,324	11,295
Taxation in other jurisdictions calculated at the rates prevailing in the respective jurisdictions	3,877	3,413
	<hr/>	<hr/>
	25,201	14,708
	<hr/>	<hr/>

Deferred tax:		
Current year	(694)	448
Attributable to an increase in tax rate	–	211
	<u>(694)</u>	<u>659</u>
	<u><b>24,507</b></u>	<u><b>15,367</b></u>

## 5. DIVIDENDS

**For the six months ended  
31 December**

<b>2004</b>	2003
<b>HK\$'000</b>	<b>HK\$'000</b>

Dividends paid:

2004 final dividend paid:

HK\$0.05 (year ended 30 June 2003: HK\$0.04) per share on 1,075,973,083 shares (2003: 1,071,349,957 shares)	<b>53,798</b>	42,854
--	---------------	--------

2003 special dividend paid:

HK\$0.02 per share on 1,071,349,957 shares	–	<u>21,427</u>
--	---	---------------

<b><u>53,798</u></b>	<b><u>64,281</u></b>
----------------------	----------------------

Dividend proposed:

Interim dividend proposed ( <i>Note</i> )	<b><u>26,938</u></b>	<b><u>21,427</u></b>
---	----------------------	----------------------

*Note:* An interim dividend of HK\$0.025 (six months ended 31 December 2003: HK\$0.02) per share on 1,077,514,125 shares (six months ended 31 December 2003: 1,071,349,957 shares) has been proposed by the Directors.

## 6. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$92,143,000 (six months ended 31 December 2003: HK\$65,419,000) and on the weighted average of 1,074,021,654 shares (for the six months ended 31 December 2003: 1,071,349,957 shares) in issue during the period.

The computation of diluted earnings per share is as follows:

	<b>For the six months ended 31 December</b>	
	<b>2004</b>	<b>2003</b>
Profit for the purpose of basic and diluted earnings per share	<b>92,143</b>	65,419
	<b><u>92,143</u></b>	<u>65,419</u>
	<b>For the six months ended 31 December</b>	
	<b>2004</b>	<b>2003</b>
	<b>Number of shares</b>	
Number of shares for the purpose of basic earnings per share	<b>1,074,021,654</b>	1,071,349,957
Effect of dilutive share options	<b>2,531,355</b>	4,352,432
	<b><u>1,076,553,009</u></b>	<u>1,075,702,389</u>

## 7. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in the balance are trade debtors of HK\$99,007,000 (At 30 June 2004: HK\$97,376,000). The Group allows an average credit period of 30 days to its trade customers.

An aged analysis of trade debtors is as follows:

	<b>31 December 2004</b>	30 June 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	<b>92,325</b>	85,130
31 – 60 days	<b>4,064</b>	9,190
61 – 90 days	<b>2,064</b>	1,308
Over 90 days	<b>554</b>	1,748
	<hr/> <b>99,007</b> <hr/>	<hr/> 97,376 <hr/>

## 8. CREDITORS AND ACCRUED CHARGES

Included in the balance are trade creditors of HK\$74,333,000 (At 30 June 2004: HK\$36,295,000).

An aged analysis of trade creditors is as follows:

	<b>31 December 2004</b>	30 June 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	<b>59,851</b>	30,334
31 – 60 days	<b>8,670</b>	3,134
61 – 90 days	<b>3,488</b>	1,382
Over 90 days	<b>2,324</b>	1,445
	<hr/> <b>74,333</b> <hr/>	<hr/> 36,295 <hr/>

## MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 31 December, 2004, the Group recorded an increase in both sales turnover and after tax earnings when compared with the same period in the previous year. Sales turnover was up 23% to HK\$656.5 million, after-tax earnings 41% to HK\$92.1 million, and basic earnings per share was 8.6 HK cents versus 6.1 HK cents in the corresponding period of the previous year.

Our core business continued to grow, driven by increasing demand from both established and new OEM customers. The improvement in operating profit can be attributed to virtually 100% utilization of plant capacity and an increase in low cost production from our new plants in China and Thailand. During the six months under review, we shipped 27.9 million units out of the 30.3 million units produced, the difference between shipments and production being primarily due to the Safeguard Limit imposed by the U.S. on imports of brassiere products from China. This Safeguard Limit, which evidently has had little impact on the performance of our business, has been lifted since 24 December, 2004.

Branded business remains an insignificant amount of our portfolio. At a sales turnover of HK\$9.4 million, it accounted for less than 1.5% of the Group's sales turnover. During the six month period, the operation focused on improving the quality of sales through the existing distribution channels and the loss was tapered by 28% to \$2.6 million.

In order to support our growth in an increasingly demanding business environment, we strengthened our backroom and administrative functions, which inevitably caused an increase in corporate spending from 0.9% of the sales turnover in the previous year to 1.2% for the half year under review.

The financial position of the Group remains strong. As at 31 December, 2004, shareholders' funds had increased to HK\$375.5 million from HK\$330.6 million at 30 June, 2004. Credit facilities available to the Group amounted to HK\$160 million, of which some HK\$9 million had been utilised. The group was therefore virtually debt free and with bank balances and cash of HK\$104 million and a current ratio of 2.3 is well positioned to take advantage of any expansion opportunities which may arise.

Your Board of Directors has resolved to declare an interim dividend of 2.5 HK cents per share for the half year.

Outlook for the rest of the fiscal year remains positive. Despite the earlier concerns of rising oil price and interest rate which could dampen consumer spending, both new and established OEM customers continue moving business our way. We will further expand our capacity in Thailand to meet demand and to balance our recent expansion in China. We continue to look for opportunities in the mainland China market.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **INTERIM DIVIDEND**

The Board of Directors has resolved to declare an interim dividend of 2.5 HK cents per share be paid for this six months period (2003: 2 HK cents) to members whose name appear on the register of members on 11 March 2005.

## **CORPORATE GOVERNANCE**

The Company has complied throughout the period with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

## **PUBLICATION OF INTERIM FINANCIAL REPORT**

All the financial and other related information of the Company required by paragraphs 46(1) to 46(6) of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") will be published on the Stock Exchange's website as soon as practicable.

The unaudited interim financial report for the six month ended 31 December 2004 has been reviewed by the Audit Committee and Messrs. Deloitte Touche Tohmatsu, auditors of the Company.

By Order of the Board

**Fung Wai Yiu**

*Chairman*

Hong Kong, 22 February 2005

*As at the date of this announcement, the Board comprises of Mr. Fung Wai Yiu and Mr. Wong Chung Chong, Eddie as executive directors, Mr. Lucas A.M. Laureys, Ms Leung Churk Yin, Jeanny, and Mr. Herman Van de Velde as non-executive directors and Mr. Marvin Bienenfeld, Mr. Chow Yu Chun, Alexander, Mr. Lam Ka Chung, William, Mr. Lin Sian Zu, John, Ms Tse Koon Hang, Ada as independent non-executive directors.*

\* *for identification purposes only*

Please also refer to the published version of this announcement in South China Morning Post.