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 2018

INTERIM RESULTS

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 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 31 December 2018

		Six months ended 31 December	
		2018	2017
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
Revenue	*3*	**606,696**	645,260
Cost of sales		**(506,938)**	(522,065)
Gross profit		**99,758**	123,195
Other net income		**6,285**	5,865
Selling and distribution expenses		**(19,566)**	(20,179)
General and administrative expenses		**(101,646)**	(86,244)
Finance costs	*4(a)*	**(98)**	(158)
Share of profits of a joint venture		**2,135**	2,437
Other expenses	*8*	**–**	(3,141)
(Loss)/profit before tax	*4*	**(13,132)**	21,775
Income tax expense	*5*	**(803)**	(2,480)
(Loss)/profit for the period		**(13,935)**	19,295

* *For identification purpose only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

For the six months ended 31 December 2018

	Note	**Six months ended 31 December 2018 (Unaudited) *HK$'000***	Six months ended 31 December 2017 (Unaudited) *HK$'000*
Attributable to:			
Owners of the Company		**(11,808)**	19,834
Non-controlling interests		**(2,127)**	(539)
(Loss)/profit for the period		**(13,935)**	19,295
(Loss)/earnings per share (HK cents)	*7*		
Basic		**(5.49)**	9.22

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2018

	Six months ended 31 December	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
(Loss)/profit for the period	**(13,935)**	19,295
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of operations outside Hong Kong		
– subsidiaries	**(3,097)**	6,308
– a joint venture	**(483)**	805
Release of translation reserve upon deemed disposal of interest in a joint venture	**–**	(25)
Other comprehensive income for the period, net of income tax	**(3,580)**	7,088
Total comprehensive income for the period	**(17,515)**	26,383
Attributable to:		
Owners of the Company	**(15,201)**	26,795
Non-controlling interests	**(2,314)**	(412)
Total comprehensive income for the period	**(17,515)**	26,383

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Note	At 31 December 2018 (Unaudited) HK$'000	At 30 June 2018 (Audited) HK$'000
Non-current assets			
Property, plant and equipment		**122,845**	122,352
Prepaid land lease payments		**1,408**	1,432
Investment properties		**83,349**	86,705
Deferred tax assets		**781**	781
Derivative financial instrument		**2,800**	2,800
Interest in a joint venture	*8*	**27,482**	25,830
Prepaid rental payments		**494**	631
		239,159	240,531
Current assets			
Inventories		**170,171**	148,736
Debtors and other receivables	*9*	**257,886**	222,627
Prepaid land lease payments		**48**	48
Current tax recoverable		**–**	500
Bank balances and cash		**68,285**	102,616
		496,390	474,527
Current liabilities			
Creditors and accrued charges	*10*	**187,465**	137,504
Obligations under finance lease		**139**	149
Current tax payable		**679**	1,851
		188,283	139,504
Net current assets		**308,107**	335,023
Total assets less current liabilities		**547,266**	575,554

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2018

	At 31 December 2018 (Unaudited)	At 30 June 2018 (Audited)
	HK$'000	*HK$'000*
Non-current liabilities		
Obligations under finance lease	**–**	62
Retirement benefit obligations	**1,403**	832
Deferred tax liabilities	**21,668**	22,198
	23,071	23,092
Net assets	**524,195**	552,462
CAPITAL AND RESERVES		
Share capital	**107,519**	107,519
Reserves	**409,545**	435,498
Equity attributable to owners of the Company	**517,064**	543,017
Non-controlling interests	**7,131**	9,445
Total equity	**524,195**	552,462

NOTES TO THE UNAUDITED INTERIM FINANCIAL RESULTS

For the six months ended 31 December 2018

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 21 February 2019.

The interim financial results has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 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 Hong Kong Financial Reporting Standards ("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 interim 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 2018 and 30 June 2018.

4. (LOSS)/PROFIT BEFORE TAX

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

	Six months ended 31 December	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
(a) Finance costs		
Interest expense on bank borrowings	**89**	141
Finance charges on obligations under finance leases	**9**	17
	98	158
(b) Other items		
Depreciation of property, plant and equipment	**11,879**	11,381
Release of prepaid land lease payments	**24**	24
Reversal of impairment loss on trade debtors	**–**	(3,355)
Write back of allowance for inventories	**–**	(3,000)
Allowance for obsolete inventories (included in cost of sales)	**7,643**	10,259
Exchange (gain)/loss, net	**(2,987)**	775
Loss on disposal of property, plant and equipment	**347**	112
Interest income	**(588)**	(307)
Fair value gain of derivative financial instrument	**–**	(113)
Loss on deemed disposal of interest in a joint venture *(note 8)*	**–**	3,141

5. INCOME TAX EXPENSE

	Six months ended 31 December	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	**39**	1,360
Other jurisdictions	**455**	1,268
	494	2,628
Deferred tax:		
Origination and reversal of temporary differences	**309**	(148)
	803	2,480

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

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

6. DIVIDENDS

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

	Six months ended 31 December 2018 (Unaudited) *HK$'000*	2017 (Unaudited) *HK$'000*
No interim dividend declared and paid after the interim period (Six months ended 31 December 2017: HK$0.05 per share)	**–**	10,752

(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 2018 (Unaudited) *HK$'000*	2017 (Unaudited) *HK$'000*
Dividends in respect of the previous financial year, approved and paid during the following interim period, of HK$0.05 per share		
– Special	**–**	10,752
– Final	**10,752**	–

7. (LOSS)/EARNINGS PER SHARE

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

	Six months ended 31 December 2018 (Unaudited) *HK$'000*	2017 (Unaudited) *HK$'000*
(Loss)/profit for the period attributable to the owners of the Company for the purpose of computing basic (loss)/earnings per share	**(11,808)**	19,834
	Number of shares	Number of shares
Number of weighted average of ordinary shares for the purpose of computing basic (loss)/earnings per share	**215,037,625**	215,037,625

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.

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" for the six months ended 31 December 2017.

Under the Shareholders' Agreement, the substantive operating and financing decisions related to Charming are under the joint control by the Group and New Horizon when the Group's shareholding in Charming is 20% or above. As a result, the Group continues to account for its interest in Charming as a joint venture.

9. DEBTORS AND OTHER RECEIVABLES

Included in the balance are trade debtors of HK$229,189,000 (at 30 June 2018: HK$196,814,000). The Group allows an average credit period of 30 days to 90 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 based on the payment due date, at the end of the reporting period is as follows:

	At 31 December 2018 (Unaudited)	At 30 June 2018 (Audited)
	HK$'000	*HK$'000*
Current	**203,884**	191,215
1 – 30 days past due	**20,664**	4,167
31 – 60 days past due	**4,359**	116
Over 60 days past due	**282**	1,316
	25,305	5,599
	229,189	196,814

As the Group's average credit period is ranged from 30 days to 90 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$125,864,000 (at 30 June 2018: HK$74,951,000). The average credit period for purchases of goods is ranged from 30 days to 60 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 2018 (Unaudited) *HK$'000*	At 30 June 2018 (Audited) *HK$'000*
Current	**116,083**	71,370
1 – 30 days past due	**7,198**	3,135
31 – 60 days past due	**2,358**	294
Over 60 days past due	**225**	152
	125,864	74,951

As the average credit period on purchases of goods is ranged from 30 days to 60 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.

11. COMPARATIVE FIGURES

Certain sales and merchandising staff cost of HK$7,594,000 incurred for the period ended 31 December 2017 has been reclassified from general and administrative expenses to selling and distribution expenses to conform to the current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the last year, the global supply chain of everything from electronic gadgets to apparel has undergone significant challenges because of the trade dispute between the two largest economies in the world. Although the global economy is still growing decently, the uncertainty brought by the trade dispute has disrupted the global supply chain, i.e. customers accelerated near term order delivery to preempt potential tariff while re-allocated future orders to different manufacturing locations had caused tremendous challenge to manufacturer in capacity and cost management.

During the period, in monetary terms, 63% of our sales were made to the US market, whilst 21% of our sales were made to the EU, and the rest of the world accounted for the remaining 16%. From the supply side, the overseas manufacturing facilities accounted for 67% of the global production output whilst China accounted for the remaining 33% during the period. In view of the uncertainties in the trade dispute between US and China and the rising costs of operation in China, the Group will continue shifting more capacity from China to overseas.

The Group strives to be a leading international intimate apparel manufacturer driven by insights and built on sustainable operations. As such the Group has accelerated its investment in people and technology in the last six months where there is addition to the senior management team and the Group also expanded into new product category.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by 6% from HK$645.3 million to HK$606.7 million for the six months ended 31 December 2018. The decrease in revenue was mainly due to lower sales to customers and also changes in product mix where a higher portion of sales was from lower price brief products, which resulted in a lower average selling price as compared with the corresponding period of fiscal 2018.

Gross Profit

Gross profit decreased from HK$123.2 million to HK$99.8 million during the six months period. Gross profit margin decreased from 19.1% to 16.4% due to product mix change.

Selling and Distribution Expenses

The Group's selling and distribution expenses amounted to HK$19.6 million for the six months ended 31 December 2018, against HK$20.2 million for the six months ended 31 December 2017. The decrease in selling and distribution expenses was driven by lower revenue.

General and Administrative Expenses

The Group's general and administrative expenses amounted to HK$101.6 million for the six months ended 31 December 2018, against HK$86.2 million for the six months ended 31 December 2017. The increase in general and administrative expenses was mainly attributable to the increase in key functional personnel to support future growth of the business.

Loss for the Period

The Group recorded a net loss of HK$13.9 million during the six months period as compared with a profit after tax of HK$19.3 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$517 million as at 31 December 2018.

Bank balances and cash amounted to HK$68 million while the credit facilities available to the Group amounted to HK$110 million.

Inventory turnover period increased to 58 days during the period from 55 days in the corresponding period last year which was mainly due to the increased raw materials at year end to support the higher business volume before the Chinese New Year.

Capital expenditure during the period amounted to HK$12 million which was mainly spent on machineries and leasehold improvement for factories.

Having considered the cash positions and reinvestment needs, the Board has resolved not to declare an interim dividend for the six months ended 31 December 2018.

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

Regardless of a deal in the trade dispute or not, some of the changes and the impact to the world economy will be permanent. The growth rate in the leading economies has slowed down and sign of recession is faintly discernible. Manufacturer needs to be more resilient and agile in such a difficult time. The Group expects no major change in the macro environment, and operation remains challenging in the second half of the financial year.

Top Form has been proactively responding to these challenges. The Group is conducting a strategic review of its various operation assets in different countries and also exploring various options of capacity sharing arrangement to strike the right balance of capacity and cost structure. While the Group remains committed to invest in system, technology and people to expand its customer base, product offering and improving operational efficiency, the Group also believes the importance of having financial flexibility to cope with the potential downturn in the global economy and will continue managing the capital prudently.

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 2018.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 31 December 2018 (six months ended 31 December 2017: HK$0.05 per share).

AUDIT COMMITTEE

The Audit Committee comprises 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 2018 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 2018, 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 2018, the Group had employed approximately 8,527 employees (30 June 2018: approximately 8,684 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

Hong Kong, 21 February 2019

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. 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.