



# TOP FORM INTERNATIONAL LIMITED

黛麗斯國際有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock Code: 333)

## ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 30 JUNE 2007

### RESULTS

The board of directors (“the Board”) of Top Form International Limited (the “Company”) are pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 30 June 2007 as follows:

### CONSOLIDATED INCOME STATEMENT

*For the year ended 30 June 2007*

	<i>Notes</i>	<b>2007</b> <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Revenue	2	<b>1,467,496</b>	1,425,491
Cost of sales		<b>(1,115,867)</b>	(1,057,771)
Gross profit		<b>351,629</b>	367,720
Other income		<b>26,108</b>	7,629
Selling and distribution expenses		<b>(45,545)</b>	(68,529)
General and administrative expenses		<b>(164,992)</b>	(163,011)
Finance costs		<b>(362)</b>	(601)
Profit before taxation	3	<b>166,838</b>	143,208
Taxation	4	<b>(30,743)</b>	(24,131)
Profit for the year		<b>136,095</b>	119,077

\* *for identification only*

		<b>2007</b>	2006
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Attributable to:			
Equity holders of the Company		<b>132,967</b>	114,876
Minority interests		<b>3,128</b>	4,201
		<u><b>136,095</b></u>	<u>119,077</u>
Dividends paid	5	<u><b>59,196</b></u>	<u>91,558</u>
Final dividend proposed	5	<u><b>32,289</b></u>	<u>32,289</u>
Earnings per share	6		
Basic		<u><b>12.4 cents</b></u>	<u>10.7 cents</u>

# CONSOLIDATED BALANCE SHEET

At 30 June 2007

	<i>Notes</i>	<b>2007</b> <i>HK\$'000</i>	2006 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>177,268</b>	170,842
Prepaid lease payments		<b>2,077</b>	2,189
Prepaid rental payments		<b>3,134</b>	–
Interests in associates		–	–
		<hr/>	<hr/>
		<b>182,479</b>	173,031
		<hr/>	<hr/>
<b>Current assets</b>			
Inventories		<b>197,462</b>	245,993
Debtors, deposits and prepayments	7	<b>166,394</b>	254,741
Bills receivable	8	<b>12,818</b>	9,649
Prepaid lease payments		<b>112</b>	112
Bank balances and cash		<b>256,435</b>	65,253
		<hr/>	<hr/>
		<b>633,221</b>	575,748
		<hr/>	<hr/>
<b>Current liabilities</b>			
Creditors and accrued charges	9	<b>130,447</b>	169,087
Taxation		<b>96,744</b>	78,384
Bank borrowings and other liabilities			
– due within one year		<b>4,700</b>	6,032
Obligations under finance leases			
– due within one year		<b>211</b>	358
		<hr/>	<hr/>
		<b>232,102</b>	253,861
		<hr/>	<hr/>
<b>Net current assets</b>		<b>401,119</b>	321,887
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		<b>583,598</b>	494,918
		<hr/>	<hr/>

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
<b>Non-current liabilities</b>		
Bank borrowings and other liabilities		
– due after one year	224	203
Obligations under finance leases		
– due after one year	41	359
Retirement benefit obligations	4,263	4,345
Deferred taxation	10,416	9,659
	<u>14,944</u>	<u>14,566</u>
	<b><u>568,654</u></b>	<b><u>480,352</u></b>
<b>Capital and reserves</b>		
Share capital	107,630	107,630
Reserves	438,640	353,562
	<u>546,270</u>	<u>461,192</u>
Equity attributable to equity holders of the Company	546,270	461,192
Minority interests	22,384	19,160
	<u>568,654</u>	<u>480,352</u>
	<b><u>568,654</u></b>	<b><u>480,352</u></b>

Notes:

## 1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which are effective for accounting periods beginning on or after 1 January 2006. The adoption of the new HKFRSs had no material effect on how the results for the current or prior years have been prepared and presented. Accordingly, no prior year adjustment has been required.

The Group has not early applied the following new and revised standards, amendments and interpretations that have been issued but are not yet effective. The directors of the Group anticipate that the application of these standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>2</sup>
HKFRS 7	Financial instruments: Disclosures <sup>1</sup>
HKFRS 8	Operating Segments <sup>2</sup>
HK(IFRIC) - INT 10	Interim Financial Reporting and Impairment <sup>3</sup>
HK(IFRIC) - INT 11	HKFRS 2 - Group and Treasury Share Transactions <sup>4</sup>
HK(IFRIC) - INT 12	Service Concession Arrangements <sup>5</sup>

<sup>1</sup> *Effective for annual periods beginning on or after 1 January 2007*

<sup>2</sup> *Effective for annual periods beginning on or after 1 January 2009*

<sup>3</sup> *Effective for annual periods beginning on or after 1 November 2006*

<sup>4</sup> *Effective for annual periods beginning on or after 1 March 2007*

<sup>5</sup> *Effective for annual periods beginning on or after 1 January 2008*

## 2. REVENUE AND SEGMENT INFORMATION

For management purposes, the Group's operation is currently organised into manufacturing business and branded business. Segment information in respect of these activities is as follows:

### (a) Business segments

#### **CONSOLIDATED INCOME STATEMENT**

*For the year ended 30 June 2007*

	<b>Manufacturing business HK\$'000</b>	<b>Branded business HK\$'000</b>	<b>Elimination HK\$'000</b>	<b>Consolidated HK\$'000</b>
<b>REVENUE</b>				
External sales	<b>1,448,348</b>	<b>19,148</b>	–	<b>1,467,496</b>
Inter-segment sales	<b>3,906</b>	–	<b>(3,906)</b>	–
Total sales	<b><u>1,452,254</u></b>	<b><u>19,148</u></b>	<b><u>(3,906)</u></b>	<b><u>1,467,496</u></b>
<b>RESULTS</b>				
Segment results	<b><u>177,303</u></b>	<b><u>(1,184)</u></b>	–	<b>176,119</b>
Unallocated corporate expenses				<b>(14,309)</b>
Interest income				<b>5,390</b>
Finance costs				<b><u>(362)</u></b>
Profit before taxation				<b>166,838</b>
Taxation				<b><u>(30,743)</u></b>
Profit for the year				<b><u>136,095</u></b>

For the year ended 30 June 2006

	Manufacturing business HK\$'000	Branded business HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
<b>REVENUE</b>				
External sales	1,403,798	21,693	–	1,425,491
Inter-segment sales	2,397	–	(2,397)	–
	<hr/>	<hr/>	<hr/>	<hr/>
Total sales	<u>1,406,195</u>	<u>21,693</u>	<u>(2,397)</u>	<u>1,425,491</u>
<b>RESULTS</b>				
Segment results	<u>163,331</u>	<u>(6,408)</u>	<u>–</u>	156,923
Unallocated corporate expenses				(16,735)
Interest income				3,621
Finance costs				<u>(601)</u>
Profit before taxation				143,208
Taxation				<u>(24,131)</u>
Profit for the year				<u>119,077</u>

**(b) Geographical segments**

The Group's operations in manufacturing are principally located in the People's Republic of China ("PRC") (including Hong Kong) and Thailand. Branded business is principally carried out in the PRC.

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

Year ended 30 June

	Sales revenue by geographical market	
	2007 HK\$'000	2006 HK\$'000
United States of America	1,104,029	1,033,281
Europe	226,503	219,878
Australia and New Zealand	79,351	71,251
Asia (excluding Hong Kong)	42,789	45,450
Hong Kong	14,824	55,065
South Africa	–	566
	<hr/>	<hr/>
	<u>1,467,496</u>	<u>1,425,491</u>

### 3. PROFIT BEFORE TAXATION

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging (crediting):		
Auditors' remuneration	2,699	2,748
Cost of textile quota entitlements	13,601	11,953
Depreciation of property, plant and equipment		
Owned assets	31,156	28,407
Assets held under finance leases	488	527
	<u>31,644</u>	<u>28,934</u>
Amortisation of prepaid leases payments	112	112
Loss on disposal of property, plant and equipment	313	964
Impairment loss arising in respect of:		
Leasehold improvements	433	–
Furniture, fixture and equipment	516	–
	<u>949</u>	<u>–</u>
Minimum lease payments paid under operating leases in respect of land and buildings	22,774	17,705
Net exchange (gain) loss	(4,630)	882
Staff costs, including directors' emoluments	334,926	298,096
Quota income	(9,346)	(1,046)
Interest income	(5,390)	(3,621)
	<u><u>                    </u></u>	<u><u>                    </u></u>



#### 4. TAXATION

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
The charge comprises:		
Current tax		
Hong Kong Profits Tax calculated at 17.5% on the estimated assessable profit for the year	28,332	16,590
Taxation in other jurisdictions calculated at the rates prevailing in the respective jurisdictions	2,343	5,746
	<u>30,675</u>	<u>22,336</u>
Overprovision in prior years		
Hong Kong Profits Tax	248	(2,012)
Taxation in other jurisdictions	(937)	345
	<u>(689)</u>	<u>(1,667)</u>
Deferred taxation		
Current year	757	3,462
	<u>30,743</u>	<u>24,131</u>

#### 5. DIVIDENDS

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
2007 interim dividend paid:		
HK\$0.025 (year ended 30 June 2006: HK\$0.025) per share on 1,076,298,125 shares (2006: 1,076,298,125 shares)	26,907	26,907
2006 final dividend paid:		
HK\$0.03 (year ended 30 June 2005: HK\$0.06) per share on 1,076,298,125 shares (2005: 1,077,514,125 shares)	32,289	64,651
	<u>59,196</u>	<u>91,558</u>

A final dividend of HK\$0.03 (2006: HK\$0.03) per share has been proposed by the Directors and is subject to the approval by the shareholders in the annual general meeting.

## 6. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Profit attributable to the equity holders of the Company for the purpose of basic and diluted earnings per share	<u>132,967</u>	<u>114,876</u>

	Number of shares	
	2007	2006
Number of ordinary shares for the purpose of basic and diluted earnings per share	<u>1,076,298,125</u>	<u>1,076,694,164</u>

No diluted earnings per share has been presented because there is no potential dilutive ordinary shares for both years.

## 7. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in the balance are trade debtors of HK\$136,180,000 (2006: HK\$211,072,000). The Group allows an average credit period of 30 days to its trade customers.

An aged analysis of trade debtors is as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
0-30 days	131,880	188,030
31-60 days	2,971	5,011
61-90 days	984	7,869
Over 90 days	<u>345</u>	<u>10,162</u>
	<u>136,180</u>	<u>211,072</u>

## 8. BILLS RECEIVABLE

Included in the bills receivable is an amount of HK\$8,941,000 (2006: HK\$6,972,000) aged within 30 days, HK\$2,125,000 (2006: HK\$2,677,000) aged within 31 to 60 days and the remaining balance of HK\$1,752,000 (2006: Nil) is aged between 61 to 90 days.

## 9. CREDITORS AND ACCRUED CHARGES

Included in the balance are trade creditors of HK60,461,000 (2006: HK\$74,190,000).

An aged analysis of trade creditors is as follows:

	<b>2007</b>	2006
	<b>HK\$'000</b>	<b>HK\$'000</b>
0-30 days	<b>50,852</b>	65,540
31-60 days	<b>6,165</b>	5,320
61-90 days	<b>2,089</b>	847
Over 90 days	<b>1,355</b>	2,483
	<hr/> <b>60,461</b> <hr/>	<hr/> 74,190 <hr/>

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group's business activities are organized into two operating units, namely Manufacturing and Brands, and a corporate cost centre.

	<b>Turnover</b>		<b>Profit</b>	
	<b>2007</b>	<b>2006</b>	<b>(Loss/Expenses)</b>	<b>2006</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Manufacturing	<b>1,448,348</b>	1,403,798	<b>182,317</b>	166,405
Brands	<b>19,148</b>	21,693	<b>(1,171)</b>	(6,457)
Corporate	–	–	<b>(14,308)</b>	(16,740)
	<hr/> <b>1,467,496</b> <hr/>	<hr/> 1,425,491 <hr/>	<hr/> <b>166,838</b> <hr/>	<hr/> 143,208 <hr/>

For the year ended 30 June 2007, the Group recorded an increase in both sales revenue and after tax profit when compared to the previous year. Sales revenue was up 3% to HK\$1,467.5 million, after tax profit up 14% to HK\$136.1 million. Basic earnings per share increased from HK\$0.107 to HK\$0.124.

## MANUFACTURING

Our core OEM manufacturing business accounts for some 99% of the Group's revenue. During the year our global sales totalled 55.5 million units of brassieres compared to 56.7 million units in 2006.

Our first half accounted for 29.7 million units, compared to 25.9 million units in 2006. During this half our plants had returned to an acceptable level of efficiency following the quota disruption experienced during a large part of fiscal 2006. The latter part of the half was characterized by market softness, primarily in the U.S., which prompted caution in inventory management. This was particularly evident in the sourcing strategies of the mass channels and a marked decrease in order lead times. In addition the surge in wages in China, together with the severe labour shortages in Guangdong Province, caused customers to look elsewhere for low cost production, especially for volume and price-sensitive business. The "value based" quota allocation system in China also contributed to this trend.

The soft market trend in the U.S. exacerbated during the second half and the operating environment in our plant locations within China continued to deteriorate. Sales in our second half totalled 25.8 million units compared to 30.8 million units in 2006.

Gross margins were under pressure throughout the year. Our plants in China account for 58% of our total output. Statutory minimum wages in our plants in Shenzhen increased by 17% on 1 July, 2006, in Nan Hai by 20% on 1 September, 2006 and by 36% on 1 January, 2007 in our Longnan plant located in Jiangxi Province. In Thailand, the military coup which took place in September and subsequent civil unrest had virtually no impact on the operations of our plants but the strong currency has resulted in virtually a 20% year-to-year increase in our operating cost in that country. In both China and Thailand, in order to mitigate the margin pressure, we continue the ongoing trend of shifting production to the lower cost areas in the regions. During the year we shut down a satellite plant and consolidated two other sewing plants outside of Bangkok. In China, the workforce of our two plants in Guangdong were trimmed down by about 15% by attrition. At the same time, we have increased the headcount in our new plant on the western border of Thailand and the plant in Jiangxi, China.

Average selling prices showed modest increases during the year, reflecting the changes in product mix to higher work content products, which also explains the general decrease in production unit output on a per machine basis.

## **BRANDS**

Revenue for the year attributable to our branded business amounted to HK\$19.1 million, which was marginally down from HK\$21.7 million in 2006 following the downsizing of the units operations in Hong Kong to two Marguerite Lee shops. Losses were reduced from HK\$6.5 million to HK\$1.2 million, all of which arose in Hong Kong and in line with our expectations. Our focus has been on expanding the distribution network for the “mx” brand in China. During the year, we opened sales counters in fifteen department stores but we were also quick to exit from some of the under-performing locations. As of 30 June 2007 we were operating sales counters in nine department stores in Shenzhen.

## **CORPORATE**

I am pleased to report that the recurring charges attributable to our corporate cost centre have been maintained at the same level as the previous two years.

## **FINANCIAL POSITION**

The strong financial position of the Group continued to improve throughout the year.

The unusually high levels of receivables and inventory recorded at the end of fiscal 2006 returned to normality as the order backlog was cleared in early fiscal 2007.

As at 30 June 2007 :

- Shareholders’ funds had increased to HK\$546.3 million from HK\$461.2 million at 30 June 2006.
- Bank balances and cash had increased to HK\$256.4 million from HK\$65.3 million at 30 June 2006.
- Credit facilities available to the Group amounted to HK\$150 million.

## **OUTLOOK**

Looking forward to 2008 we are facing a number of significant challenges. Many are not unique to our business, such as rising labour costs in China and currency appreciation of the Renminbi and Thai Baht against the greenback. The current soft market trend, particularly in the U.S., is expected to continue well into the next year and we see other changes in the operating environment. More retailers are sourcing directly from Asia through local buying offices. This requires us, amongst other initiatives, to strengthen our design capabilities and thus branch out from our current, primarily OEM business model. This transition in the foreseeable future is focused on the Europe market where we have already established a sound customer base with retailers. Stringent cost control remains as a cornerstone of our strategy.

Brand business is an important element in our strategic plan and we are committed to invest in the business for growth. Internally we plan to roll out 45 new point-of-sales in the next twelve months, mostly sales counters in department stores in Guangdong. Externally we will continue to develop strategic and equity relationships with additional companies with compatible products and brands in order to enhance our presence and sales in the China market.

The Group is prepared to compromise on growth and profitability in the short term in order to ensure that these changes and initiatives will lead us to long term prosperity.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 30 June 2007.

## **CORPORATE GOVERNANCE**

The Group continues to commit itself to maintaining high standards of corporate governance principles and practices with an emphasis on enhancing transparency and accountability and ensuring the application of these principles and practices within the Group and thereby, enhancing shareholder value and benefiting our stakeholders at large.

During the year, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules (“Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“the Stock Exchange”) except for the following deviations:

#### **Code Provision A.4.1 and A.4.2**

Code A.4.1 provides, inter alia, that non-executive directors should be appointed for a specific term and 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 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 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.

#### **CONFIRMATION OF INDEPENDENCE**

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company has assessed their independence and concluded that all the Independent Non-executive Directors are independent.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“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 standard as set out in the Model Code during the year.

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

## **EMPLOYEES**

As at 30 June 2007, the Group has approximately 13,039 employees (30 June 2006: approximately 14,253 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 provide other staff benefits such as medical insurance, mandatory provident fund and a share option scheme to its employees.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed with the management and the external auditors the accounting principles and practices adopted by the Group and discussed auditing and financial reporting matters including the review of the audited financial statements for the year ended 30 June 2007.

## **DIVIDEND**

The Board recommended a final dividend of HK\$0.03 per share (2006: HK\$0.03 per share) for the year ended 30 June 2007 to shareholders whose names appear on the register of members of the Company on 26 October 2007. The final dividend will be paid to shareholders on 13 November 2007.



## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Tuesday, 23 October 2007 to Friday, 26 October 2007, both days inclusive, during which period no transfer of shares shall be effected. In order to qualify for the proposed final dividend and attend the Company's annual general meeting, 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 by no later than 4:30 p.m. on Monday, 22 October 2007.

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

Hong Kong, 7 September 2007

*As at the date of this announcement, the Board of Directors of the Company comprises Mr. Fung Wai Yiu, Mr. Wong Chung Chong, Eddie and Mr. Leung Tat Yan as Executive Directors, Mr. Lucas A.M. Laureys, Ms. Leung Churk Yin, Jeanny and Mr. Herman Van de Velde as Non-executive Directors, Mr. Marvin Bienenfeld, Mr. Chow Yu Chun, Alexander, Mr. Leung Ying Wah, Lambert and Mr. Lin Sun Mo, Willy as Independent Non-executive Directors.*