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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 2015

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 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 31 December 2015

		Six months ended	
		31 December	
		2015	2014
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Revenue	3	618,047	581,649
Cost of sales		(508,321)	(469,286)
Gross profit		109,726	112,363
Other income		11,360	6,039
Selling and distribution expenses		(13,003)	(12,228)
General and administrative expenses		(86,460)	(84,291)
Finance costs	4(a)	(109)	(187)
Share of profits of a joint venture		1,541	–
Profit before taxation	4	23,055	21,696
Income tax	5	(3,025)	(4,640)
Profit for the period		20,030	17,056

* For identification purpose only

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)*For the six months ended 31 December 2015*

		Six months ended	
		31 December	
		2015	2014
		(Unaudited)	(Unaudited)
	<i>Note</i>	HK\$'000	HK\$'000
Attributable to:			
Owners of the Company		18,685	16,023
Non-controlling interests		1,345	1,033
		<hr/>	<hr/>
Profit for the period		20,030	17,056
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share			
Basic	7	HK\$0.09	HK\$0.07
		<hr/> <hr/>	<hr/> <hr/>

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

For the six months ended 31 December 2015

	Six months ended	
	31 December	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period	20,030	17,056
Other comprehensive income for the period (after nil tax adjustments):		
Item that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of operations outside Hong Kong	(8,502)	114
Reclassification of translation reserve upon loss of control in subsidiaries	(4,260)	–
Total comprehensive income for the period	7,268	17,170
Attributable to:		
Owners of the Company	6,182	16,124
Non-controlling interests	1,086	1,046
Total comprehensive income for the period	7,268	17,170

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	<i>Notes</i>	At 31 December 2015 (Unaudited) <i>HK\$'000</i>	At 30 June 2015 (Audited) <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		95,912	117,786
Prepaid lease payments		1,551	1,575
Investment properties		100,941	104,725
Interest in a joint venture	8	14,183	–
Prepaid rental payments		1,193	1,883
		213,780	225,969
Current assets			
Inventories		153,800	189,494
Debtors and other receivables	9	217,440	174,671
Bills receivable	10	480	2,752
Prepaid lease payments		48	48
Current tax recoverable		–	10
Bank balances and cash		139,971	169,215
		511,739	536,190
Current liabilities			
Creditors and accrued charges	11	132,576	150,687
Amount due to a joint venture		298	–
Obligations under finance lease		23	–
Current tax payable		3,048	5,686
		135,945	156,373
Net current assets		375,794	379,817
Total assets less current liabilities		589,574	605,786

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*At 31 December 2015*

	At 31 December 2015 (Unaudited) <i>HK\$'000</i>	At 30 June 2015 (Audited) <i>HK\$'000</i>
Non-current liabilities		
Obligations under finance lease	527	–
Retirement benefit obligations	1,460	1,460
Deferred tax liabilities	23,135	25,353
	<u>25,122</u>	<u>26,813</u>
Net assets	<u>564,452</u>	<u>578,973</u>
Capital and reserves		
Share capital	107,519	107,519
Reserves	446,437	451,007
	<u>553,956</u>	<u>558,526</u>
Equity attributable to owners of the Company	553,956	558,526
Non-controlling interests	10,496	20,447
	<u>564,452</u>	<u>578,973</u>
Total equity	<u>564,452</u>	<u>578,973</u>

NOTES TO THE INTERIM FINANCIAL RESULTS

For the six months ended 31 December 2015

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 19 February 2016.

The results announcement has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 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”) that are first effective for the current accounting period of the Group:

- *Annual Improvements to HKFRSs 2010–2012 Cycle*
- *Annual Improvements to HKFRSs 2011–2013 Cycle*

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. 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 2015 and 30 June 2015.

4. PROFIT BEFORE TAXATION

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

	Six months ended	
	31 December	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
(a) Finance costs		
Interest expense on bank borrowings wholly repayable within five years	108	187
Finance charges on obligations under finance leases	1	–
	<u>109</u>	<u>187</u>
(b) Other items		
Depreciation of property, plant and equipment	11,019	12,290
Amortisation of prepaid lease payments	24	24
Allowance for obsolete inventories (included in cost of sales)	4,145	5,720
Gain arising from reclassification of translation reserve upon loss of control in subsidiaries	(4,260)	–
Exchange loss, net	7,279	3,536
Gain on disposal of property, plant and equipment	(116)	(75)
Interest income	(948)	(1,174)
	<u>11,095</u>	<u>18,411</u>

5. INCOME TAX

	Six months ended	
	31 December	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax:		
Hong Kong Profits Tax	3,861	4,696
Other jurisdictions	436	710
	<u>4,297</u>	<u>5,406</u>
Deferred tax:		
Credit for the period	(1,272)	(766)
	<u>3,025</u>	<u>4,640</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

	Six months ended	
	31 December	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
2015 final and special dividends declared and paid during the interim period: 2015 final dividend of HK\$0.05 per share (2014: HK\$0.05 per share) and 2015 special dividend of HK\$Nil per share (2014: HK\$0.05 per share)	<u>10,752</u>	<u>21,504</u>
Dividend proposed after the end of the interim period:		
Interim dividend (<i>Note</i>)	<u>10,752</u>	<u>10,752</u>

Note: Subsequent to the end of the interim reporting period, an interim dividend of HK\$0.05 per share (2014: HK\$0.05 per share) has been declared by the directors of the Company for the six months ended 31 December 2015.

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	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period attributable to the owners of the Company for the purpose of basic earnings per share	<u>18,685</u>	<u>16,023</u>
	Number of shares	
Number of ordinary shares for the purpose of basic earnings per share	<u>215,037,625</u>	<u>215,037,625</u>

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

8. INTEREST IN A JOINT VENTURE

The Group entered into a shareholders' agreement (the "Shareholders' Agreement") with New Horizon International Investments Limited ("New Horizon"), an independent third party, immediately after completion of the acquisition of 40% of the issued ordinary shares of Charming Elastic Fabric Company Limited ("Charming"), a then 60% held subsidiary of the Group, by New Horizon from Charming's then 40% held minority shareholder 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 has lost control over Charming. The Group has ceased consolidating Charming and has then accounted for its interest in Charming as a joint venture, which is initially recognised at fair value. A gain of HK\$4,260,000 was recognised, being the reclassification of related translation reserve.

Under the terms of the Shareholders' Agreement, should Charming together with its subsidiary be able to achieve certain pre-agreed performance targets up to 31 December 2018, New Horizon shall have the right to subscribe for new ordinary shares in Charming such that New Horizon may eventually hold 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. The pre-agreed performance targets have not yet been met as at 31 December 2015 and the directors consider the fair value of the said rights to be not material as at 31 December 2015.

9. DEBTORS AND OTHER RECEIVABLES

Included in the balance are trade debtors of HK\$194,117,000 (at 30 June 2015: HK\$152,617,000). The Group allows an average credit period of 45 days (at 30 June 2015: 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:

	At 31 December 2015 (Unaudited) HK\$'000	At 30 June 2015 (Audited) HK\$'000
Current	170,956	122,828
1-30 days overdue	19,267	24,435
31-60 days overdue	1,248	4,443
Over 60 days overdue	2,646	911
	<u>194,117</u>	<u>152,617</u>

As the Group's average credit period is 45 days (at 30 June 2015: 30 days), a majority of the balances which as disclosed above are within 90 days from the invoice date.

10. BILLS RECEIVABLE

As at 31 December 2015 and 30 June 2015, all bills receivable are aged within 30 days. The Group does not hold any collateral over these balances.

11. CREDITORS AND ACCRUED CHARGES

Included in the balance are trade creditors of HK\$71,996,000 (at 30 June 2015: HK\$93,703,000). 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 2015 (Unaudited) HK\$'000	At 30 June 2015 (Audited) HK\$'000
Current	61,987	77,758
1–30 days overdue	7,664	10,798
31–60 days overdue	2,172	4,064
Over 60 days overdue	173	1,083
	<u>71,996</u>	<u>93,703</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 in its core Manufacturing activity, together with a Corporate cost centre.

	Revenue		Profit (Loss/expenses)	
	Six months ended 31 December		Six months ended 31 December	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Manufacturing	618,047	581,649	31,105	29,839
Corporate	–	–	(8,050)	(8,143)
	618,047	581,649	23,055	21,696

For the six months ended 31 December 2015, the Group recorded sales revenue of HK\$618 million, representing an increase of 6% as compared to HK\$582 million of sales recorded in the corresponding period last year. Profit after taxation increased by 17%, from HK\$17 million to HK\$20 million during the six months period.

MANUFACTURING

During the period, in monetary terms, 62% of our sales were to the US market whilst sales to the EU represented 22% and the rest of the world accounted for 16%. The growth in the sales revenue for the period was mainly attributable to the increase in sales volume to the US market and the sales to new customers driven by our continuous effort to broaden the customer base. The average selling price showed a modest decrease reflecting the price driven demand in our business.

Gross profit margin reduced from 19% to 18% whilst it remained flat when compared with the second half of last fiscal year. The price sensitive demand in the business has added pressure to the gross margin during the period. This pressure has been eased by the favorable currency movement of Thai Baht and RMB against US dollars during the period. Material prices remained stable.

China accounted for 42% of our global capacity, Thailand 49% and Cambodia 9%. Following our strategic plan to increase the capacity offshore, we have continued to expand the capacity in the overseas plants by adding new headcounts and maintain the capacity of the plants in China. The capacity expansion in the overseas plants is encouraging. The capacity ratio of Overseas versus China has further increased from 51%: 49% during the six months period a year ago to 58%: 42% during the current period. The operating environment continued to be challenging. The statutory minimum wage in Jiangxi Province, China has increased by 11% starting from 1 October 2015 and the statutory minimum wage in Cambodia has increased by 9% from 1 January 2016. Meanwhile, we will continue to maximize the cost efficiency and productivity of our plants through process synchronization and improvement to counter the escalating cost trend.

CORPORATE

Corporate expenditure for the period amounted to HK\$8 million and remained flat as compared to the corresponding period last year.

FINANCIAL POSITION

The financial position of the Group remains healthy with insignificant gearing. Shareholders' funds stood at HK\$554 million as at 31 December 2015. Bank balances and cash amounted to HK\$140 million whilst the credit facilities available to the Group amounted to HK\$159 million.

Capital expenditure during the period amounted to HK\$4 million which was mainly spent on machineries.

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

The recent volatility in the global stock and currency markets as well as further slump in the commodities prices are causes for concern in the global economy. We expect business demand will continue to be price driven adding pressure to our margin and consumer spending remains cautious. In responding to the changing market conditions and price driven demand, we will continue to expand our overseas capacity, improve the productivity and efficiency of the plants and seek for lower costs location to maintain our competitiveness and to pursue growth opportunities in our 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 2015.

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 2015 (six months ended 31 December 2014: HK\$0.05 per share) to its shareholders whose names will appear on the registers of members of the Company on 11 March 2016. The interim dividend will be paid on 21 March 2016.

CLOSURE OF REGISTERS OF MEMBERS

The main and branch registers of members of the Company will be closed from 9 March 2016 to 11 March 2016 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 8 March 2016.

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 2015 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 2015, 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, A.4.2 and A.5.1

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.

Code Provision A.5.1 provides that the Company should establish a Nomination Committee which is chaired by the Chairman of the Board or an Independent Non-executive Director and comprises a majority of Independent Non-executive Directors.

The Nomination Committee is chaired by Mr. Fung Wai Yiu, a Non-executive Director of the Company, instead of Chairman of the Board or an Independent Non-executive Director during the period from 31 October 2014 to 26 August 2015. Mr. Fung retired as Chairman and Executive Director of the Company and was re-designated as a Non-executive Director on 31 October 2014. The Board considers that Mr. Fung's assumption as of the role as the Chairman of the Nomination Committee will ensure the stability and smooth transition of the Committee during the interim period. At the board meeting held on 27 August 2015, the Board has appointed Mr. Chow Yu Chun, Alexander, an Independent Non-executive Director of the Company, as the Chairman of the Nomination Committee with effect from 27 August 2015.

In view of the recent amendments to the Corporate Governance Code effective for the accounting period beginning on 1 January 2016, the Board has adopted a revised Terms of Reference of the Audit Committee ("ToR") on 19 February 2016 in order to comply with certain changes related to the risk management and internal control section of the Corporate Governance Code. The revised ToR will be uploaded to the websites of the Stock Exchange and the Company as soon as practicable.

Appointment of Nomination Committee Member

On the board meeting held on 19 February 2016, Mr. Wong Kai Chi, Kenneth, an executive director of the Company, was appointed as a member of the Nomination Committee.

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 2015, the Group had employed approximately 8,391 employees (30 June 2015: approximately 8,090 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

19 February 2016

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.