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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 2016

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 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 31 December 2016

		Six months ended	
		31 December	
		2016	2015
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Revenue	3	534,626	618,047
Cost of sales		(437,440)	(508,321)
Gross profit		97,186	109,726
Other income		7,185	11,360
Selling and distribution expenses		(14,072)	(13,003)
General and administrative expenses		(91,916)	(86,460)
Finance costs	4(a)	(102)	(109)
Share of profits of a joint venture		4,971	1,541
Profit before tax	4	3,252	23,055
Income tax expense	5	(911)	(3,025)
Profit for the period		2,341	20,030

* For identification purpose only

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)*For the six months ended 31 December 2016*

		Six months ended	
		31 December	
		2016	2015
		(Unaudited)	(Unaudited)
	<i>Note</i>	HK\$'000	HK\$'000
Attributable to:			
Owners of the Company		1,701	18,685
Non-controlling interests		640	1,345
		<hr/>	<hr/>
Profit for the period		2,341	20,030
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share			
Basic	7	HK\$0.79 cents	HK\$8.69 cents
		<hr/> <hr/>	<hr/> <hr/>

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

For the six months ended 31 December 2016

	Six months ended	
	31 December	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period	2,341	20,030
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 overseas operations	(5,406)	(8,502)
Reclassification of translation reserve upon loss of control in subsidiaries	–	(4,260)
Total comprehensive income for the period	(3,065)	7,268
Attributable to:		
Owners of the Company	(3,553)	6,182
Non-controlling interests	488	1,086
Total comprehensive income for the period	(3,065)	7,268

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	<i>Notes</i>	At 31 December 2016 (Unaudited) <i>HK\$'000</i>	At 30 June 2016 (Audited) <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		100,035	96,748
Prepaid land lease payments		1,503	1,527
Investment properties		78,485	100,991
Derivative financial instrument		4,849	3,639
Interest in a joint venture	8	21,869	17,580
Prepaid rental payments		1,103	1,335
		<hr/> 207,844	<hr/> 221,820
Current assets			
Investment property held for sale		19,000	–
Inventories		162,565	135,293
Debtors and other receivables	9	200,544	192,245
Amount due from a joint venture		–	11
Prepaid land lease payments		48	48
Current tax recoverable		1,039	–
Bank balances and cash		137,683	166,680
		<hr/> 520,879	<hr/> 494,277
Current liabilities			
Creditors and accrued charges	10	146,596	117,460
Obligations under finance lease		136	139
Current tax payable		3,719	4,638
		<hr/> 150,451	<hr/> 122,237
Net current assets		<hr/> 370,428	<hr/> 372,040
Total assets less current liabilities		<hr/> 578,272	<hr/> 593,860

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*At 31 December 2016*

	At 31 December 2016 (Unaudited) <i>HK\$'000</i>	At 30 June 2016 (Audited) <i>HK\$'000</i>
Non-current liabilities		
Obligations under finance lease	286	338
Retirement benefit obligations	1,253	1,253
Deferred tax liabilities	22,317	23,436
	<u>23,856</u>	<u>25,027</u>
Net assets	<u>554,416</u>	<u>568,833</u>
Capital and reserves		
Share capital	107,519	107,519
Reserves	435,894	450,199
	<u>543,413</u>	<u>557,718</u>
Equity attributable to owners of the Company	543,413	557,718
Non-controlling interests	11,003	11,115
	<u>554,416</u>	<u>568,833</u>
Total equity	<u>554,416</u>	<u>568,833</u>

NOTES TO THE INTERIM FINANCIAL RESULTS

For the six months ended 31 December 2016

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 23 February 2017.

The results announcement has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 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 a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these amendments are relevant to the Group.

The Group also 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 2016 and 30 June 2016.

4. PROFIT BEFORE TAX

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

	Six months ended	
	31 December	
	2016	2015
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
(a) Finance costs		
Interest expense on bank borrowings wholly repayable within five years	75	108
Finance charges on obligations under finance leases	27	1
	<u>75</u>	<u>108</u>
(b) Other items		
Depreciation of property, plant and equipment	10,158	11,019
Amortisation of prepaid land lease payments	24	24
Provision for bad debts	4,662	–
Allowance for obsolete inventories (included in cost of sales)	7,283	4,145
Reclassification of translation reserve upon loss of control in subsidiaries	–	(4,260)
Exchange loss, net	89	7,279
Gain on disposal of property, plant and equipment	(96)	(116)
Interest income	(350)	(948)
Fair value gain of derivative financial instrument	(1,210)	–
Increase in fair value of investment properties	(300)	–
	<u>(300)</u>	<u>–</u>

5. INCOME TAX EXPENSE

	Six months ended	
	31 December	
	2016	2015
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax	493	3,861
Other jurisdictions	586	436
	<u>1,079</u>	<u>4,297</u>
Deferred tax:		
Origination and reversal of temporary differences	(168)	(1,272)
	<u>911</u>	<u>3,025</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 investment properties, accelerated tax depreciation and unrealised loss on inventories.

6. DIVIDENDS

(i) Dividends payable to equity shareholders attributable to the interim period

	2016 (Unaudited) <i>HK\$'000</i>	2015 (Unaudited) <i>HK\$'000</i>
Interim dividend declared and paid after the interim period of HK\$0.05 per share (2015: HK\$0.05 per share)	<u>10,752</u>	<u>10,752</u>

(ii) Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period

	Six months ended 31 December	
	2016 (Unaudited) <i>HK\$'000</i>	2015 (Unaudited) <i>HK\$'000</i>
Final 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 2015: HK\$0.05 per share)	<u>10,752</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	
	2016 (Unaudited) <i>HK\$'000</i>	2015 (Unaudited) <i>HK\$'000</i>
Profit for the period attributable to the owners of the Company for the purpose of basic earnings per share	<u>1,701</u>	<u>18,685</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 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 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 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.

There had been no changes to the terms of the Shareholders’ agreement during the six months ended 31 December 2016.

9. DEBTORS AND OTHER RECEIVABLES

Included in the balance are trade debtors of HK\$178,174,000 (at 30 June 2016: HK\$171,272,000). The Group allows an average credit period of 45 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 2016 (Unaudited) HK\$’000	At 30 June 2016 (Audited) HK\$’000
Current	161,007	158,401
1–30 days overdue	7,424	6,929
31–60 days overdue	2,877	5,014
Over 60 days overdue	6,866	928
	<u>178,174</u>	<u>171,272</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\$88,554,000 (at 30 June 2016: HK\$65,527,000). 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 2016 (Unaudited) HK\$'000	At 30 June 2016 (Audited) HK\$'000
Current	73,338	52,282
1–30 days overdue	10,291	11,576
31–60 days overdue	2,573	1,492
Over 60 days overdue	2,352	177
	<u>88,554</u>	<u>65,527</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	
	2016	2015	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Manufacturing	534,626	618,047	11,007	31,105
Corporate	—	—	(7,755)	(8,050)
	<u>534,626</u>	<u>618,047</u>	<u>3,252</u>	<u>23,055</u>

The first half results of our fiscal year continue to reflect the weakness of business demand and tightening of inventory levels we saw in the second half of last fiscal year.

For the six months ended 31 December 2016, the Group recorded sales revenue of HK\$535 million, representing a decrease of 13% as compared to HK\$618 million of sales recorded in the corresponding period last year. Profit after tax decreased by 90%, from HK\$20 million to HK\$2 million during the six months period.

MANUFACTURING

During the period, in monetary terms, 50% of our sales were made to the US market, while 35% of our sales were made to the EU, and the rest of the world accounted for the remaining 15%. Sales to the EU market has shown a moderate increase during the period but the weakness in demand in the US market has resulted in the decrease in the Group's revenue of 13% during the period.

The gross profit margin maintained at 18% for the period with average selling price showing a modest increase due to a lower proportion of sales in price sensitive products during this half. Operating environment continues to be difficult. Rising operating costs remained the major challenge confronting us. Material prices remained stable.

Similar to last fiscal year, our capacity remained balanced between our overseas and China plants. The production from the overseas plants accounted for 62% of our global output and China accounted for the remaining 38%. We foresee the operating environment continues to be challenging with cost increases such as the rise in statutory minimum wages of Cambodia since 1 January 2017 by 9%. Managing efficient capacity and remaining flexible to the market needs will be the ongoing development for the Group for the remainder of the fiscal year.

The general and administrative expenses increased by 7% during the period mainly due to the engagement of additional staffs and managers for our operations and the professional fees incurred on new order planning & management system for optimizing our overall business process.

CORPORATE

Corporate expenditure for the period amounted to HK\$7.8 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\$543 million as at 31 December 2016. Bank balances and cash amounted to HK\$138 million whilst the credit facilities available to the Group amounted to HK\$159 million.

Inventory turnover period remained at 63 days as compared to 62 days in the corresponding period last year.

Capital expenditure incurred during the period amounted to HK\$14 million which was mainly spent on machineries and software.

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 2016.

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 are pegged with US dollars. The Group manages its foreign exchange exposure by performing regular reviews and by taking prudent measures to minimize the currency translation risk.

OUTLOOK AND FUTURE DEVELOPMENT

The general outlook of the market remains challenging. We intend to continue managing our production facilities effectively and maintain our current capacity to mitigate the short term challenges. We will continue to assess the strategic and cost effectiveness of the operations and optimize our business processes. While we do not expect an upturn in financial performance in the near future, the actions taken today will provide us a solid foundation to grow the business when the market returns.

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 2016.

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 2016 (six months ended 31 December 2015: HK\$0.05 per share) to its shareholders whose names will appear on the registers of members of the Company on 15 March 2017. The interim dividend will be paid on 29 March 2017.

CLOSURE OF REGISTERS OF MEMBERS

The main and branch registers of members of the Company will be closed from 14 March 2017 to 15 March 2017 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 13 March 2017.

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 2016 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 2016, 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 2016, the Group had employed approximately 8,068 employees (30 June 2016: approximately 7,825 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

23 February 2017

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.