



# 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 2005

### RESULTS

The Directors 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 2005 as follows:

### CONSOLIDATED INCOME STATEMENT

*For the year ended 30 June 2005*

	<i>Notes</i>	<b>2005</b> <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Turnover	2	<b>1,463,815</b>	1,217,043
Cost of sales		<b>(1,020,695)</b>	(841,388)
Gross profit		<b>443,120</b>	375,655
Other operating income	3	<b>3,964</b>	3,017
Selling and distribution expenses		<b>(40,484)</b>	(32,418)
General and administrative expenses		<b>(176,320)</b>	(154,487)
Profit from operations	4	<b>230,280</b>	191,767
Finance costs		<b>(630)</b>	(1,489)
Gain on winding up of subsidiaries		<b>469</b>	4,119
Profit before taxation		<b>230,119</b>	194,397
Taxation	5	<b>(45,853)</b>	(36,042)

\* *for identification only*

Profit before minority interests		<b>184,266</b>	158,355
Minority interests		<b>(1,176)</b>	(1,852)
		<hr/>	<hr/>
Profit for the year		<b>183,090</b>	156,503
		<hr/>	<hr/>
Dividends	6		
Interim		<b>26,938</b>	21,427
Final		<b>64,651</b>	53,798
		<hr/>	<hr/>
Earnings per share	7		
Basic		<b>17.0 cents</b>	14.6 cents
		<hr/>	<hr/>
Diluted		<b>17.0 cents</b>	14.5 cents
		<hr/>	<hr/>

## CONSOLIDATED BALANCE SHEET

At 30 June 2005

		<b>2005</b>	2004
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>168,666</b>	133,243
Interests in associates		–	–
Interests in a jointly controlled entity		–	865
		<hr/>	<hr/>
		<b>168,666</b>	134,108
		<hr/>	<hr/>
<b>Current assets</b>			
Inventories		<b>188,039</b>	160,269
Debtors, deposits and prepayments	8	<b>143,227</b>	120,714
Bills receivable		<b>6,845</b>	2,625
Bank balances and cash		<b>184,084</b>	113,767
		<hr/>	<hr/>
		<b>522,195</b>	397,375
		<hr/>	<hr/>

**Current liabilities**

Creditors and accrued charges	9	<b>139,852</b>	102,407
Taxation		<b>72,483</b>	42,259
Bank borrowings and other liabilities			
– due within one year		<b>8,639</b>	16,533
Obligations under finance leases			
– due within one year		<b>1,503</b>	1,801

**222,477**      163,000

**Net current assets**

**299,718**      234,375

**Total assets less current liabilities**

**468,384**      368,483

**Non-current liabilities**

Bank borrowings and other liabilities			
– due after one year		<b>1,150</b>	285
Obligations under finance leases			
– due after one year		<b>693</b>	1,308
Provision for long service payments		<b>4,989</b>	4,520
Deferred taxation		<b>6,197</b>	9,912

**13,029**      16,025

**455,355**      352,458

**Capital and reserves**

Share capital		<b>107,752</b>	107,135
Share premium and reserves		<b>326,544</b>	223,421

**434,296**      330,556

**Minority interests**

**21,059**      21,902

**455,355**      352,458

*Notes:*

**1. Potential Impact Arising From The Recently Issued Accounting Standards**

In 2004, the Hong Kong Institute of Certified Public Accountants issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (hereinafter collectively referred to as “new HKFRSs”) which are effective for accounting periods beginning on or after 1 January 2005 and any business combinations for which agreement date is on or after 1 January 2005 under HKFRS 3 “Business Combination”. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 30 June 2005 or entered into any business combination for which the agreement date is on or after 1 January 2005. Therefore the HKFRS 3 does not have any impact on the Group for the year ended 30 June 2005.

The Group has considered these new HKFRSs but does not expect that the issuance of these HKFRSs will have a material effect on how the results of operations and financial position of the Group are prepared and presented.

**2. Turnover And Segment Information**

Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers during the year.

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

(a) **Business segments**

**Year ended 30 June 2005**

	<b>Manufacturing business HK\$'000</b>	<b>Branded business HK\$'000</b>	<b>Elimination HK\$'000</b>	<b>Consolidated HK\$'000</b>
<b>TURNOVER</b>				
External sales	1,442,897	20,918	-	1,463,815
Inter-segment sales ( <i>note</i> )	744	-	(744)	-
	<u>1,443,641</u>	<u>20,918</u>	<u>(744)</u>	<u>1,463,815</u>
Total sales				
<b>RESULTS</b>				
Segment results	<u>251,728</u>	<u>(5,573)</u>	<u>-</u>	246,155
Unallocated corporate expenses				(16,698)
Interest income				823
Profit from operations				230,280
Finance costs				(630)
Gain on winding up of subsidiaries				469
Profit before taxation				230,119
Taxation				(45,853)
Profit before minority interests				184,266
Minority interests				(1,176)
Profit for the year				<u>183,090</u>

Year ended 30 June 2004

	Manufacturing business <i>HK\$'000</i>	Branded business <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>TURNOVER</b>				
External sales	1,194,769	22,274	–	1,217,043
Inter-segment sales ( <i>note</i> )	2,948	–	(2,948)	–
	<u>1,197,717</u>	<u>22,274</u>	<u>(2,948)</u>	<u>1,217,043</u>
<b>RESULTS</b>				
Segment results	<u>211,209</u>	<u>(8,686)</u>	<u>–</u>	202,523
Unallocated corporate expenses				(11,109)
Interest income				<u>353</u>
Profit from operations				191,767
Finance costs				(1,489)
Gain on winding up of subsidiaries				<u>4,119</u>
Profit before taxation				194,397
Taxation				<u>(36,042)</u>
Profit before minority interests				158,355
Minority interests				<u>(1,852)</u>
Profit for the year				<u>156,503</u>

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

**(b) Geographical segments**

The Group's operations in manufacturing are principally located in Hong Kong, the People's Republic of China ("PRC") and Thailand. Branded business is principally carried out in Hong Kong and 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 2005**

	Sales revenue by geographical market <i>HK\$'000</i>	Contribution to profit from operations <i>HK\$'000</i>
United States of America	1,134,819	197,981
Europe	208,472	36,370
Australia and New Zealand	60,563	10,566
Asia (excluding Hong Kong)	42,508	6,222
Hong Kong	17,024	(5,059)
South Africa	429	75
	<u>1,463,815</u>	<u>246,155</u>
Unallocated corporate expenses		(16,698)
Interest income		823
Profit from operations		<u>230,280</u>

**Year ended 30 June 2004**

	Sales revenue by geographical market <i>HK\$'000</i>	Contribution to profit from operations <i>HK\$'000</i>
United States of America	935,418	165,361
Europe	174,015	30,762
Australia and New Zealand	43,167	7,631
Asia (excluding Hong Kong)	45,951	2,905
Hong Kong	18,359	(4,160)
South Africa	133	24
	<u>1,217,043</u>	<u>202,523</u>
Unallocated corporate expenses		(11,109)
Interest income		353
Profit from operations		<u>191,767</u>

### 3. Other Operating Income

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Other operating income includes:		
Interest income	<u>823</u>	<u>353</u>

### 4. Profit From Operations

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Profit from operations has been arrived at after charging:		
Auditors' remuneration	1,682	1,852
Cost of textile quota entitlements	7,086	15,064
Depreciation and amortisation on:		
Owned assets	24,329	22,467
Assets held under finance leases	2,228	696
Loss on disposal of property, plant and equipment	182	143
Impairment loss arising in respect of:		
Leasehold improvement	3,370	–
Furniture, fixture and equipment (included in cost of sale and general and administrative expenses of HK\$3,514,000 and HK\$1,476,000 respectively)	<u>1,620</u>	<u>–</u>
	<b>4,990</b>	–
Minimum lease payments paid under operating leases in respect of land and buildings	17,242	16,755
Net exchange loss	318	4,227
Staff costs, including directors' emoluments	<u>302,244</u>	<u>225,055</u>

## 5. Taxation

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
The charge (credit) comprises:		
Company and subsidiaries		
Current tax		
Hong Kong Profits Tax calculated at 17.5% (2004: 17.5%) on the estimated assessable profit for the year	47,085	27,364
Taxation in other jurisdictions calculated at the rates prevailing in the respective jurisdictions	<u>3,305</u>	<u>4,843</u>
	<u>50,390</u>	<u>32,207</u>
Overprovision in prior years		
Hong Kong Profits Tax	(473)	(1)
Taxation in other jurisdictions	<u>(349)</u>	<u>(674)</u>
	<u>(822)</u>	<u>(675)</u>
Deferred taxation		
Current year	<u>(3,715)</u>	<u>4,510</u>
	<u><u>45,853</u></u>	<u><u>36,042</u></u>

## 6. Dividends

	<b>2005</b> <i>HK\$'000</i>	2004 <i>HK\$'000</i>
2005 interim dividend paid:		
HK\$0.025 (year ended 30 June 2004: HK\$0.02)		
per share on 1,077,514,125 shares		
(2004: 1,071,349,957 shares)	<b>26,938</b>	21,427
2004 final dividend paid:		
HK\$0.05 (year ended 30 June 2003: HK\$0.04)		
per share on 1,075,973,083 shares		
(2003: 1,071,349,957 shares)	<b>53,798</b>	42,854
2003 special dividend paid:		
HK\$0.02 per share on 1,071,349,957 shares	–	21,427
	<u>80,736</u>	<u>85,708</u>

A final dividend of HK\$0.06 (2004: HK\$0.05) per share has been proposed by the Directors and is subject to the approval by the shareholders in general meeting.

## 7. Earnings Per Share

The computation of basic and diluted earnings per share is as follows:

	<b>2005</b> <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Profit for the purpose of basic and diluted earnings per share	<b>183,090</b>	156,503
	<u>183,090</u>	<u>156,503</u>
	<b>Number of shares</b>	
	<b>2005</b>	2004
Number of shares for the purpose of basic earnings per share	<b>1,075,732,427</b>	1,071,349,957
Effect of dilutive share options	<b>1,293,079</b>	4,376,622
	<u>1,077,025,506</u>	<u>1,075,726,579</u>
Number of shares for the purpose of diluted earnings per share	<b>1,077,025,506</b>	1,075,726,579

## 8. Debtors, Deposits and Prepayments

Included in the balance are trade debtors of HK\$120,996,000 (2004: HK\$97,376,000). The Group allows an average credit period of 30 days to its trade customers.

An aged analysis of trade debtors is as follows:

	<b>The Group</b>	
	<b>2005</b>	<b>2004</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	<b>112,515</b>	85,130
31-60 days	<b>1,642</b>	9,190
61-90 days	<b>2,215</b>	1,308
Over 90 days	<b>4,624</b>	1,748
	<hr/>	<hr/>
	<b>120,996</b>	<b>97,376</b>
	<hr/> <hr/>	<hr/> <hr/>

## 9. Creditors and Accrued Charges

Included in the balance are trade creditors of HK\$59,193,000 (2004: HK\$36,295,000).

An aged analysis of trade creditors is as follows:

	<b>The Group</b>	
	<b>2005</b>	<b>2004</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	<b>46,281</b>	30,334
31-60 days	<b>6,785</b>	3,134
61-90 days	<b>4,924</b>	1,382
Over 90 days	<b>1,203</b>	1,445
	<hr/>	<hr/>
	<b>59,193</b>	<b>36,295</b>
	<hr/> <hr/>	<hr/> <hr/>

## MANAGEMENT DISCUSSION AND ANALYSIS

The management is pleased with the result for the year ended 30 June 2005. During the year, the Group attained continued growth in sales and earnings. Our efforts in expanding our markets and customer base for the core business, and in minimizing the loss incurred in the brands operation have brought the expected results.

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

	<b>Turnover</b>		<b>Profit (Loss)</b>	
	<b>2005</b>	2004	<b>2005</b>	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Manufacturing	<b>1,442,897</b>	1,194,769	<b>251,942</b>	210,899
Brands	<b>20,918</b>	22,274	<b>(5,594)</b>	(8,777)
Corporate	–	–	<b>(16,229)</b>	(7,725)
Total	<b><u>1,463,815</u></b>	<u>1,217,043</u>	<b><u>230,119</u></b>	<u>194,397</u>

Group profit before taxation increased 18% to HK\$230.1 million primarily due to the increase of 20% in sales turnover to HK\$1.46 billion, all driven by the OEM business.

### **Manufacturing**

Our core business recorded continued year-to-year growth. Unit output was up 15% and sales turnover 20%. The double digit growth was attributable to the new customers we developed in both the US and the EU markets.

During the year, we shipped over 61 million units of brassiere products, with the second half accounting for 55% of the total. It should be noted that of the 33.7 million units shipped in the second half of the year, approximately 2.4 million units were deferred sales from the first half due to the embargo placed by the U.S. on imports of bras from the PRC under the Safeguard Limit which ultimately expired in late December 2004.

The upward trend in our products and customer mix continued during the year, as evidenced by the moderate increase in our unit selling price. In anticipation of our future growth and the increasing demands for product innovation and fashion input, we have invested in a 40,000 sq. ft. Product Development Center in Shenzhen in February this year. We are hopeful that the addition of this Product Development Center will place the Group in the leading position in terms of product innovation and manufacturing technologies, all aiming to better serve our customers and markets, and to support our future growth.

The final stage of our expansion in Jiangxi was completed in August 2004 and the new plant there has since become fully operational, providing the additional capacity needed for sales growth. Following the completion of the expansion in Jiangxi, we started a new expansion project in Thailand. In August 2004, we set up a satellite plant in a province that is located away from the dense clusters of manufacturing industries around Bangkok. The operation in that location has proved satisfactory, particularly in terms of labor supply. We are in the process of expanding that satellite plant into a full scale operation with the objectives of further increasing our global capacity and also to provide a fall back position in case our production capacity in the PRC is compromised due to the trade disputes between the PRC and her trading nations.

## **Brands**

Brands sales during the year were held with a slight drop of 6% in turnover. Operating loss was tapered to HK\$5.6 million primarily through improved inventory control and product offering. All of the loss was attributable to the operation in Hong Kong where the purpose of our maintaining a minimum presence in this high-cost market was to showcase our products and to uphold our brand image.

## **Corporate**

The charges attributable to our Corporate Cost Centre increased from HK\$7.7 million to HK\$16.2 million for the year. The hefty increase was due to the additional administrative functions we installed which are needed to support our expanding business and increasingly challenging operations, and an unfavorable comparison to a HK\$4 million gain on the winding up of two subsidiaries in Europe recorded in the previous year.

## **Financial Position**

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

Shareholders' funds increased from HK\$330.6 million at 30 June 2004 to HK\$434.3 million at 30 June 2005.

At 30 June 2005, the Group had credit facilities amounting to HK\$130 million of which HK\$7.6 million had been utilized. Gearing remained at an insignificant level.

Bank balances and cash amounted to HK\$184 million at 30 June 2005, representing an increase of HK\$70 million from the previous year.

## **Outlook**

Despite the strong and continuous growth we experienced in the fiscal year under review, the next twelve months presents unprecedented challenges to the Group. In operations, the return of the trade sanctions placed by EU and the US against the exports of apparel products of the PRC have caused the Group to reshuffle the production loadings among its facilities in and outside of the PRC, resulting in losses of efficiency and increases in operating costs. While the new Clothing Agreement recently signed between the EU and the PRC has had quite minor impacts on the Group, the outcome of the current Sino-US negotiations on the textile and apparel trade, could potentially have heavier impacts on the operation and the performance of our core business in the short term. The safeguard limit imposed by the US for the remainder of 2005 represents a 31% increase over the previous limit imposed in 2003/2004 but the situation as regards 2006 and beyond remains uncertain. On the business front, the upward trend in the interest rate and the surge in oil prices have caused our customers to be cautious with their forecasts and inventory management. First quarter sales will be approximately 7.5% down from the historically best ever first quarter recorded in the previous year. However, business booking has recently begun to pick up. Barring any negative impacts that the trade issues may bring upon the industry, we expect our sales to gain momentum in the second quarter and for the rest of the year and that we could maintain the level of performance of the preceding year.

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

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

## **CORPORATE GOVERNANCE**

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period for the year ended 30 June 2005, in compliance with the Code of Corporate Governance Practices as previously set out in Appendix 14 of the Rules Governing the Listing of the Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") prior to 1 January 2005, which remains applicable to disclosure in annual reports in respect of accounting periods commencing before 1 January 2005 under the transitional arrangement.

## **CONFIRMATION OF INDEPENDENCE**

The Company has received from each of the independent non-executive Directors, an annual confirmation of their respective independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive Directors are independent.

## **MODEL CODE**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as its own code for dealings in securities of the Company by the Directors. Based on specific enquiry of all Directors, the Company considers that the Directors complied with the required standards set out in the Model Code throughout the year under review.

## **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 2005.

## **DIVIDENDS**

The Directors are pleased to propose a final dividend of HK\$0.06 per share (2004: HK\$0.05 per share) to members whose names appear on the register of members on 28 October 2005. The dividends will be paid on or before 15 November 2005.

## **PUBLICATION OF DETAILED ANNUAL RESULTS**

All the financial and other related information of the Company required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the Stock Exchange’s website in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 21 October 2005 (Friday) to 28 October 2005 (Friday), both days inclusive, for the purpose of establishing entitlement of shareholders to receive the dividends and vote at the forthcoming Annual General Meeting. During this period, no transfer of shares will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company's branch Share Registrar in Hong Kong, Secretaries Limited at G/F, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on 20 October 2005.

By Order of the Board

**Fung Wai Yiu**

*Chairman*

Hong Kong, 18 September 2005

*As at the date hereof, the board of Directors is comprised of 9 Directors, of which 3 are executive Directors, namely Mr. Fung Wai Yiu, Mr. Wong Chung Chong, Eddie and Mr. Leung Tat Yan, 3 are non-executive Directors, namely Mr. Lucas A.M. Laureys, Mr. Herman Van de Velde and Ms Leung Churk Yin, Jeanny, and 3 are independent non-executive Directors, namely Mr. Marvin Bienenfeld, Mr. Chow Yu Chun, Alexander and Mr. Lam Ka Chung, William.*

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