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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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2021

ANNUAL RESULTS

The board of directors (the “Board” or “Directors”) of Top Form International Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, “Top Form” or the “Group”) for the year ended 30 June 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2021

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	3	1,428,532	1,236,659
Cost of sales		<u>(1,190,553)</u>	<u>(1,056,311)</u>
Gross profit		237,979	180,348
Other net income	4	56,614	8,766
Selling and distribution expenses		(60,098)	(39,685)
General and administrative expenses		<u>(219,326)</u>	<u>(225,317)</u>
Profit/(loss) from operations		15,169	(75,888)
Finance costs	5(a)	(6,846)	(5,459)
Share of profits of a joint venture		2,989	2,041
Share of profits of associates		639	–
Profit/(loss) before taxation	5	11,951	(79,306)
Income tax (expense)/credit	6	(4,806)	1,780
Profit/(loss) for the year		<u>7,145</u>	<u>(77,526)</u>

* *For identification purpose only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

For the year ended 30 June 2021

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Attributable to:			
Equity shareholders of the Company		2,797	(77,235)
Non-controlling interests		4,348	(291)
		<u> </u>	<u> </u>
Profit/(loss) for the year		7,145	(77,526)
		<u> </u>	<u> </u>
Earnings/(loss) per share (2020 restated)	8		
Basic and diluted		HK\$0.011	HK\$(0.332)
		<u> </u>	<u> </u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2021

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit/(loss) for the year		7,145	(77,526)
Other comprehensive income			
<i>Items that will not be subsequently reclassified to profit or loss:</i>			
Equity investments at fair value through other comprehensive income - movement in the investment revaluation reserve (non-recycling)		–	(5,883)
		–	(5,883)
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation of operations outside Hong Kong			
– subsidiaries		4,199	(6,074)
– a joint venture		2,317	(949)
– associates		(76)	–
Other comprehensive income for the year, net of income tax		6,440	(12,906)
Total comprehensive income for the year		13,585	(90,432)
Attributable to:			
Equity shareholders of the Company		9,210	(90,165)
Non-controlling interests		4,375	(267)
Total comprehensive income for the year		13,585	(90,432)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		205,577	231,709
Investment properties		161,821	132,467
Interest in a joint venture		27,465	22,159
Interest in associates	9	23,756	–
Other financial assets		2,838	2,838
Derivative financial instrument		1,402	1,403
Deferred tax assets		571	986
Prepayments and deposits		1,797	5,682
		<u>425,227</u>	<u>397,244</u>
Current assets			
Inventories		255,868	180,389
Trade and other receivables	10	163,171	143,369
Current tax recoverable		–	157
Bank balances and cash		92,217	122,903
		<u>511,256</u>	<u>446,818</u>
Current liabilities			
Trade payables and accrued charges	11	261,720	211,736
Unsecured bank loans	12	87,980	97,442
Lease liabilities		13,087	14,396
Current tax payable		5,026	2,005
		<u>367,813</u>	<u>325,579</u>
Net current assets		<u>143,443</u>	<u>121,239</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2021

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Total assets less current liabilities		568,670	518,483
Non-current liabilities			
Lease liabilities		16,504	21,526
Retirement benefit obligations		4,329	3,110
Deferred tax liabilities		36,618	32,485
Other payables		696	12,692
		58,147	69,813
Net assets		510,523	448,670
Capital and reserves			
Share capital	<i>13</i>	147,940	107,519
Reserves		327,600	318,228
Equity attributable to equity shareholders of the Company		475,540	425,747
Non-controlling interests		34,983	22,923
Total equity		510,523	448,670

NOTES TO THE ANNUAL FINANCIAL RESULTS

1. BASIS OF PREPARATION

The annual results set out in the announcement do not constitute the Group's financial statements for the year ended 30 June 2021 but are extracted from those financial statements. The Group's financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The financial figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 30 June 2021 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the auditor.

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 developments have had a material effect on how the Group's results and financial position for 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. REVENUE AND SEGMENT INFORMATION

Revenue represents the sale value of goods and is within the scope of HKFRS 15, *Revenue from contracts with customers*. 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.

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

The accounting policies adopted for the preparation of the financial information reviewed by the 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 taxation.

All the Group's segment assets and liabilities are under the only reportable segment as at 30 June 2021 and 2020.

(a) Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, investment properties, interest in associates and a joint venture and prepayments and deposits ("specified non-current assets"). The geographical location of customers is based on the location to which the goods are delivered.

	Revenue from		Specified	
	external customers		non-current assets	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	18,417	9,454	22,741	29,261
USA	1,072,602	919,610	–	–
Belgium	97,200	77,603	–	–
The Netherlands	30,647	34,316	–	–
Spain	30,150	43,200	–	–
France	21,379	32,520	–	–
Sri Lanka	42,547	34,173	4,448	3,885
Canada	14,747	14,112	–	–
The People's Republic of China ("PRC")	25,899	28,334	227,978	201,030
Germany	21,251	16,704	–	–
Italy	8,434	3,267	–	–
Mexico	11,838	7,027	–	–
Thailand	–	–	128,441	144,637
Cambodia	–	–	3,234	5,781
Myanmar	–	–	14,266	7,423
Others	33,421	16,339	19,308	–
	1,428,532	1,236,659	420,416	392,017

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Information about major customers

Revenue from customers contributing over 10% of the total sales of the Group are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A	678,315	408,469
Customer B	356,556	382,500
Customer C*	N/A	124,587
	<u>678,315</u>	<u>915,556</u>

* Revenue from this customer was less than 10% of the Group's total revenue for the year ended 30 June 2021.

4. OTHER NET INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Gain on disposal of property, plant and equipment		
– a property (<i>note (i)</i>)	27,868	–
– other plant and equipment	137	–
Government grants (<i>note (ii)</i>)	11,857	2,196
Gross rental income from investment properties	8,921	8,123
Fair value gain/(loss) on investment properties	3,686	(5,319)
Sample income	1,471	525
Interest income from loans to an associate	335	–
Interest income from bank	224	470
Fair value loss on derivative financial instrument	(1)	(612)
Revaluation loss upon transfer of property, plant and equipment	(1,337)	–
Others	3,453	3,383
	<u>56,614</u>	<u>8,766</u>

Note:

- (i) During the year ended 30 June 2021, the Group disposed of a self-owned property with net book value of \$Nil to an independent third party at a consideration of HK\$28,000,000 resulting in a net gain on disposal of HK\$27,868,000 after netting of the related transaction costs.
- (ii) During the year ended 30 June 2021, the Group received government grants of HK\$11,857,000 (2020: HK\$2,196,000) from the Mainland China and Hong Kong Government, of which HK\$6,661,000 represents funding support from the Employment Support Scheme under the Anti-epidemic Fund set up by the Hong Kong Government.

For government subsidies from the Mainland China government, there were no unfulfilled conditions and other contingencies attached to the receipts of these government subsidies. There is no assurance that the Group will continue to receive such government subsidies in the future.

5. PROFIT/(LOSS) BEFORE TAXATION

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
(a) Finance costs		
Interest expense on bank borrowings	1,068	1,919
Interest on lease liabilities	1,308	1,363
Other bank charges	4,470	2,177
	<u>6,846</u>	<u>5,459</u>
(b) Staff costs		
Staff costs, including directors' emoluments (<i>note</i>)	481,853	458,309
Equity-settled share-based payment expenses	162	380
Provision for retirement benefits obligations	1,219	1,156
(Reversal of over provision)/provision for severance payments	(953)	2,284
Reversal of over-provision for social security contributions	–	(149)
	<u>482,281</u>	<u>461,980</u>
(c) Other items		
Auditors' remuneration	1,983	1,929
Depreciation charges		
– owned property, plant and equipment	32,682	27,858
– right-of-use assets	18,526	16,880
(Reversal of impairment loss)/impairment loss on trade receivables	(2,274)	3,140
Net allowance for obsolete inventories (included in cost of sales)	1,977	13,254
Loss on disposal of property, plant and equipment	–	1,063
Cost of inventories recognised as an expense	1,188,576	1,043,057
Net exchange loss	10,626	3,807
Expense relating to short-term leases and other leases with remaining lease term ending on or before 30 June 2020	–	6,391
Expense relating to short-term leases	2,087	–
Expense relating to leases of low-value assets	395	159
	<u>1,188,576</u>	<u>1,043,057</u>

Note: Staff costs included amounts in respect of defined contribution retirement benefit schemes contributions of HK\$26,274,000 (2020: HK\$29,309,000).

6. INCOME TAX

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax:		
Hong Kong	3,021	2,001
Other jurisdictions	471	101
	<u>3,492</u>	<u>2,102</u>
	-----	-----
(Over)/under-provision of current tax in prior years:		
Hong Kong	(21)	–
Other jurisdictions	(1)	477
	<u>(22)</u>	<u>477</u>
	-----	-----
Deferred taxation		
Origination and reversal of temporary differences	1,336	(4,359)
	<u>1,336</u>	<u>(4,359)</u>
	-----	-----
Income tax expense/(credit)	<u>4,806</u>	<u>(1,780)</u>
	=====	=====

The provision for Hong Kong Profits Tax for 2021 is calculated at 16.5% (2020: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2020.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

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

7. DIVIDENDS

The Board has resolved not to declare a final dividend for the year ended 30 June 2021 and 2020.

8. EARNINGS/(LOSS) PER SHARE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit/(loss) attributable to equity shareholders of the Company for the purpose of computing basic earnings/(loss) per share	<u>2,797</u>	<u>(77,235)</u>
	Number of shares	
	2021	2020 (Restated)
Weighted average number of ordinary shares for the purpose of computing basic earnings/(loss) per share	<u>257,375,668</u>	<u>232,631,613</u>

The weighted average number of ordinary shares used for the purpose of calculating basic loss per share for the year ended 30 June 2020 has been adjusted to reflect of bonus element in rights issue on 19 February 2021. Basic loss per share for the year ended 30 June 2020 has been restated accordingly.

Diluted earnings/(loss) per share for the years ended 30 June 2021 and 30 June 2020 are same as the basic earnings/(loss) per share as the share options outstanding during the respective years had an anti-dilutive effect on the basic earnings/(loss) per share.

9. INTEREST IN ASSOCIATES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Group's share of net assets	4,448	–
Loans to an associate	<u>19,308</u>	<u>–</u>
	<u>23,756</u>	<u>–</u>

The loans to an associate are unsecured, interest bearing at a rate of 3% to 5% per annum and are repayable within two years from the respective drawn down dates.

10. TRADE AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables at amortised cost, net of loss allowance	72,079	78,937
Trade receivables to be factored at fair value through other comprehensive income (recycling)	60,176	33,695
Other receivables	<u>30,916</u>	<u>30,737</u>
	<u>163,171</u>	<u>143,369</u>

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

As part of the Group's cash flow management, the Group has the practice of factoring some of the trade receivables to financial institutions before the trade receivables are due for repayment and derecognises factored trade receivables on the basis that the Group has transferred substantially all risks and rewards to the relevant counterparties.

As at 30 June 2021, the effective interest rates of the factored trade receivables at FVOCI (recycling) ranged from 1.36% to 3.45% per annum (2020: 1.82% to 3.45% per annum). As at 30 June 2021, the fair value changes on trade receivables at FVOCI (recycling) are insignificant and accordingly, no fair value changes are recognised in equity as FVOCI reserve.

Ageing analysis

At the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date and net of loss allowance, is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
1 – 90 days	123,787	80,085
91 – 180 days	<u>8,468</u>	<u>32,547</u>
	<u>132,255</u>	<u>112,632</u>

11. TRADE PAYABLES AND ACCRUED CHARGES

All of the trade payables and accrued charges are expected to be settled within one year or are repayable on demand.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	144,146	119,760
Other payables and accrued charges	<u>117,574</u>	<u>91,976</u>
	<u>261,720</u>	<u>211,736</u>

An ageing analysis of trade payables based on the payment due date at the end of the reporting period is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current	102,234	86,780
1 – 30 days past due	28,315	28,342
31 – 60 days past due	9,571	1,118
Over 60 days past due	<u>4,026</u>	<u>3,520</u>
	<u>144,146</u>	<u>119,760</u>

As the average credit period on purchases of goods is ranged from 30 to 60 days, a majority of the balances which as disclosed above are within 90 days from the invoice date.

Other payables and accrued charges mainly represented accrued freight charges, salaries and other operating expenses.

12. UNSECURED BANK LOANS

At 30 June 2021 and 2020, the unsecured bank loans were repayable as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within one year or on demand	<u>87,980</u>	<u>97,442</u>

At 30 June 2021, the Company provided guarantee for bank loans of certain subsidiaries. Such banking facilities amounted to HK\$110,000,000 (2020: HK\$110,000,000). The facilities were utilised to the extent of HK\$87,980,000 (2020: HK\$97,442,000).

All of the Group's bank loans are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. During the year ended 30 June 2020, the Group did not fulfil one of the covenants required in the agreement of which the Group has currently drawn an amount of HK\$79,984,000. This banking facility has been renewed during the year ended 30 June 2021. At 30 June 2021, none of the covenants relating to draw down facilities had been breached.

At 30 June 2021, the Group's effective interest rate per annum was 1.21% (2020: 1.35%).

13. SHARE CAPITAL

On 19 February 2021, the Company completed a rights issue of 86,015,050 rights shares at the subscription price of HK\$0.50 per rights share on the basis of two rights shares for every five shares of the Company. The net proceeds from rights issue were HK\$40,421,000 after deducting directly attributable costs of HK\$2,587,000.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During Fiscal 2021, Top Form continues to manage through major challenges brought on by the effect of COVID-19.

Adjusting from the initial shock of COVID-19 in the spring of 2020, the Group started this fiscal year with our worst quarter in recent memory where a significant portion of our capacity was lost or suspended due to country lock down, and suspension and delay of customer orders. Through the year, as we witnessed one of the fastest recovery from global recession driven by the massive quantitative easing from all the major economies, unprecedented worker protection program in the U.S. and Europe, and also the roll out of vaccine, our major markets began opening up from lock down and demand surged from our major customers in the U.S. and Europe, with particular hot demand in our seamless products.

While the global consumer demand rebounded strongly from the pandemic by early fall of 2020, the now damaged global supply chain has been unable to flex back up to meet this surge. During the year, Top Form has had to manage through major disruptions and turmoil in the supply chain and operating environment, which included a global shortage of containers driven by logjams in major ports causing significant delays in material shipment and scheduled customer delivery, a much higher freight cost (with increase of more than 100% from pre-pandemic level!), and sporadic closure of manufacturing lines due to COVID-19 infection, all leading to significant increase of our operating costs.

As the pandemic still rages, geopolitical uncertainty also presented significant challenges to the Group during the fiscal year. Over the past twelve months, the Group continued to manage the additional tariff stemming from the Sino U.S. trade war that began in 2019 and we expect this tariff regime to remain in place for the foreseeable future. In February of 2021, the Group's strategic expansion of our manufacturing footprint was dealt a blow when a military coup was announced in the Union of Myanmar. Over the past two years, Top Form has been steadily building up a plant as well as grooming a work force in the border town of Mayawadee, which is strategically located close to our Thailand plant in Maesot. Our plan leveraged on the strategic location, our experience in managing a large Burmese workforce and a competitive labor cost Myanmar offers. In June 2021, given the political uncertainty in the country, the Group decided to temporary suspend our Myanmar operations as we finished the last shipment of customer order. We believed this is in the best interest of our employees and customers.

The Group has taken proactive steps during the year to improve the liquidity and strengthen the balance sheet so as to allow the Group to weather the crisis and also support the business growth. In September 2020, the Group disposed a property which was previously used by the Group as warehouse and office premises for HK\$28 million. In February 2021, the Group successfully completed the rights issue and raised HK\$40.4 million for the continued investment in seamless business and new manufacturing capacity in the regions.

During the year, in monetary terms, 75% of our sales were to the U.S. market whilst the sales to the EU represented 15% and the rest of the world accounted for 10%. From the supply side, the overseas manufacturing facilities in Southeast Asia accounted for 67% of the global production output whilst China accounted for the remaining 33% during the year.

FINANCIAL REVIEW

Revenue

For the year ended 30 June 2021, the revenue of the Group increased by 16% to HK\$1,429 million from HK\$1,237 million of sales in fiscal 2020. This increase in revenue was mainly driven by the strong demand of seamless products from our major customers in the U.S., onboarding of new customers and also recovery of sales to European customers.

Gross Profit

Gross profit increased from HK\$180.3 million to HK\$238.0 million during the year with gross profit margin increased from 15% to 17%. The increase in gross profit was mainly due to higher sales, and improved customer and product mix.

Other Net Income

Other net income increased from HK\$8.8 million to HK\$56.6 million during the year. The increase was mainly attributable to the HK\$28 million sales proceeds from the disposal of property in Hong Kong, HK\$6.7 million anti-pandemic subsidies received by the Company's subsidiaries through Hong Kong Government's Employer Support Scheme, and HK\$3.7 million gain on revaluation of investment properties as compared with HK\$5.3 million loss on revaluation of investment properties in fiscal 2020.

Selling and Distribution Expenses

Selling and distribution expenses primarily comprised of freight and transportation costs, employee benefits of sales and sales support personnel, and customer sample costs. The Group's selling and distribution expenses amounted to HK\$60.1 million for the year ended 30 June 2021, against HK\$39.7 million for the year ended 30 June 2020. The significant increase in selling & distribution expenses was mainly driven by the freight costs as a result of persistent and severe disruptions caused by COVID-19.

General and Administrative Expenses

The Group's general and administrative expenses amounted to HK\$219.3 million for the year ended 30 June 2021, against HK\$225.3 million for the year ended 30 June 2020. The decrease in general and administrative expenses was mainly attributable to cost reduction measures undertaken by the management at the onset of pandemic.

Finance Costs

The Group's finance costs mainly represent interest expenses on borrowings, account receivables factoring costs and lease liabilities. The finance costs increased from HK\$5.5 million for the year ended 30 June 2020 to HK\$6.8 million for the year ended 30 June 2021. The increase in finance costs was primarily driven by the higher sales.

Profit for the year

The Group recorded a profit after tax of HK\$7.1 million for the year ended 30 June 2021 as compared with a net loss of HK\$77.5 million for the year ended 30 June 2020.

FINANCIAL POSITION

The Group's bank balances and cash was HK\$92.2 million as at 30 June 2021 (at 30 June 2020: HK\$122.9 million) whilst total bank borrowings was HK\$88 million (at 30 June 2020: HK\$97.4 million) and gearing ratio was 24.7% (at 30 June 2020: 31.30%). As at 30 June 2020 and 30 June 2021, the Group did not have assets pledged for bank borrowings.

The Group strives to improve the working capital management and focus on the overall cash conversion cycle days which are calculated by adding the inventory turnover days and receivables turnover days and subtracting the payables turnover days. For the year ended 30 June 2021, the cash conversion cycle days were 24 days as compared to 37 days in previous year.

	As at 30 June 2021 (Days)	As at 30 June 2020 (Days)
Inventory turnover days	67	61
Receivables turnover days	31	47
Payables turnover days	74	71
Cash conversion cycle days	24	37

The cash conversion cycle days decreased from 37 days to 24 days. The increase in inventory turnover days was offset by the decrease in receivables turnover days.

Capital expenditure during the year amounted to HK\$34.2 million of which the majority was for the expansion of overseas factory capacity and also the purchase of additional santoni machines for seamless tube manufacturing.

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 U.S. dollars, the foreign exchange exposure in respect of U.S. dollars against HK dollars is considered minimal as HK dollars pegged with U.S. dollars. The Group manages its foreign exchange exposure by performing regular review and by taking prudent measures to minimize the currency translation risk.

CONTINGENT LIABILITIES

As at 30 June 2021, the Group did not have any significant contingent liabilities.

REMUNERATION POLICY

As at 30 June 2021, the Group had employed approximately 7,681 employees (30 June 2020: approximately 7,406 employees).

The remuneration policy and package of the Group's employees are structured with 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.

RIGHTS ISSUE

On 19 February 2021, the Company allotted and issued 86,015,050 new ordinary shares of the Company to the shareholders of the Company (the "Shareholders") on the basis of two rights shares for every five shares of the Company (the "Shares") in issue at the subscription price of HK\$0.50 per rights share (the "Rights Issue"). The net proceeds from the Rights Issue after deducting the expenses were approximately HK\$40.4 million. The number of issued ordinary shares of the Company was 301,052,675 shares upon completion of the Rights Issue on 19 February 2021.

Further details of the Rights Issue were set out in the Company's announcements dated 4 November 2020, 21 December 2020, 12 January 2021, 10 February 2021 and 18 February 2021, the circular of the Company dated 9 December 2020 and the prospectus of the Company dated 25 January 2021 (the "Prospectus").

Use of proceeds from Rights Issue

The intended use of the net proceeds, actual use of the net proceeds and the remaining balance of unutilised proceeds as at 30 June 2021 are summarised as follows:

Use of proceeds	Intended use of proceeds HK\$million	Actual use of net proceeds as at 30 June 2021 HK\$million	Remaining balance of unutilised proceeds as at 30 June 2021 HK\$million
Purchase of santoni machines in Thailand	18.6	9.3	9.3
Increase of investment in an Indonesian company	12.9	–	12.9
Construction of the Myanmar factory facilities	6.4	6.4	–
General working capital	2.5	2.5	–
Total	<u>40.4</u>	<u>18.2</u>	<u>22.2</u>

The remaining balance of unutilised proceeds of approximately HK\$22.2 million as at 30 June 2021 is expected to be utilised before end of June 2022 according to the intentions previously disclosed in the Prospectus.

EVENTS AFTER THE REPORTING PERIOD

The Group has no significant events after the reporting period and up to the date of this report.

OUTLOOK AND FUTURE DEVELOPMENT

At time of writing, the world is now grappling with the more powerful and transmissible Delta variant of the Coronavirus. It has been particularly devastating to South and Southeast Asian countries as every country struggles with low vaccination rate due to lack of supply. This has forced governments to impose stringent lock down measures to prevent the spread of the virus which heavily impacting daily lives and movements.

We expect such turmoil to continue well into 2022 and we have been working closely with respective local governments to establish “bubble and seal” protocols to prevent and contain the spread of virus while also keeping the production continue running. We have also maintained constant communication with our customers and suppliers on any change in lead time and delivery schedule. With our diversified base of manufacturing and contingency plan, we strive to overcome the turmoil.

We will remain focused on executing on the key strategic initiatives and improving liquidity of the Group in light of the volatility and disruption expected in the coming months.

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 year ended 30 June 2021.

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. The Group is also committed to ensuring the application of these principles and practices within the Group and thereby, enhancing shareholder value and benefiting our stakeholders at large.

The Company has, throughout the year under review, 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 and 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 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 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.

CONFIRMATION OF INDEPENDENCE ON INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules of the Stock Exchange. 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 (the “Model Code”) as set out in Appendix 10 to the Listing Rules of the Stock Exchange as its own code for dealing in the 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 year 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.

AUDIT COMMITTEE

The consolidated annual results of the Group for the year ended 30 June 2021 have been reviewed by the Audit Committee, comprising 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, together with the management and the Company’s external auditors, KPMG, have reviewed the accounting principles and practices adopted by the Group and discussed risk management and internal controls and financial reporting matters.

DIVIDEND

The Board has resolved not to declare a final dividend for the year ended 30 June 2021 (for the year ended 30 June 2020: nil).

No interim dividend for the six months ended 31 December 2020 has been paid to the shareholders of the Company (the “Shareholders”) during the year ended 30 June 2021 (for the six months ended 31 December 2019: nil).

CLOSURE OF REGISTERS OF MEMBERS

Entitlement to attend and vote at the 2021 AGM

The main and branch registers of members of the Company will be closed from 11 November 2021 to 16 November 2021 for the purpose of determining the shareholders' entitlement to attend and vote at the forthcoming annual general meeting on 16 November 2021 ("AGM"). During that period, no transfer of shares will be registered. In order to qualify for the shareholders' entitlement to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 10 November 2021.

By order of the Board
Top Form International Limited
Wong Chung Chong
Chairman

Hong Kong, 14 September 2021

As at the date of this announcement, the Board comprises Mr. Wong Chung Chong, Mr. Wong Kai Chung, Kevin and Mr. Wong Kai Chi, Kenneth as executive Directors; Mr. Fung Wai Yiu, Mr. Lucas A.M. Laureys and Mr. Herman Van de Velde as non-executive Directors; and Ms. Leung Churk Yin, Jeanny, Mr. Leung Ying Wah, Lambert and Mr. Lin Sun Mo, Willy as independent non-executive Directors.