

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



TOP FORM INTERNATIONAL LIMITED

黛麗斯國際有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 333)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2023

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Director**”) 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 2023 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2023

(Expressed in Hong Kong dollars unless otherwise indicated)

	Notes	2023 HK\$'000	2022 HK\$'000
Revenue	3	1,007,016	1,481,592
Cost of sales		<u>(831,677)</u>	<u>(1,207,664)</u>
Gross profit		175,339	273,928
Other net income	4	15,390	17,803
Selling and distribution expenses		(29,212)	(37,616)
General and administrative expenses		<u>(228,207)</u>	<u>(231,065)</u>
(Loss)/profit from operations		(66,690)	23,050
Finance costs	5(a)	(12,372)	(7,884)
Share of profits of a joint venture		1,896	3,658
Share of profits of associates		<u>896</u>	<u>392</u>
(Loss)/profit before taxation	5	(76,270)	19,216
Income tax expense	6	<u>(2,254)</u>	<u>(7,728)</u>
(Loss)/profit for the year		<u><u>(78,524)</u></u>	<u><u>11,488</u></u>

* For identification purpose only

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

For the year ended 30 June 2023

(Expressed in Hong Kong dollars unless otherwise indicated)

	<i>Notes</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
Attributable to:			
Equity shareholders of the Company		(84,732)	3,550
Non-controlling interests		6,208	7,938
		<hr/>	<hr/>
(Loss)/profit for the year		(78,524)	11,488
		<hr/> <hr/>	<hr/> <hr/>
(Loss)/earnings per share	8		
Basic and diluted		HK\$(0.281)	HK\$0.012
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2023

(Expressed in Hong Kong dollars unless otherwise indicated)

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/profit for the year	(78,524)	11,488
Other comprehensive income/(expense)		
<i>Items that will not be subsequently reclassified to profit or loss:</i>		
Gain on revaluation properties upon transfer of investment properties	1,049	4,629
Deferred tax liability arising on gain on revaluation properties upon transfer	(262)	(1,157)
	787	3,472
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Exchange differences arising on translation of operations outside Hong Kong		
– subsidiaries	(9,362)	(17,959)
– a joint venture	(1,622)	(349)
– associates	449	(885)
	(10,535)	(19,193)
Other comprehensive expense for the year, net of income tax	(9,748)	(15,721)
Total comprehensive expense for the year	(88,272)	(4,233)
Attributable to:		
Equity shareholders of the Company	(94,630)	(9,715)
Non-controlling interests	6,358	5,482
Total comprehensive expense for the year	(88,272)	(4,233)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

(Expressed in Hong Kong dollars unless otherwise indicated)

	<i>Notes</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		189,004	182,916
Investment properties		150,027	163,229
Interest in a joint venture		28,454	28,181
Interests in associates	9	8,408	25,245
Other financial assets		2,838	2,838
Deferred tax assets		264	339
Prepayments and deposits		4,435	2,725
		383,430	405,473
Current assets			
Inventories		103,594	174,895
Trade and other receivables	10	201,380	181,570
Bank balances and cash		112,130	136,487
		417,104	492,952
Current liabilities			
Trade payables and accrued charges	11	181,984	199,553
Unsecured bank loans	12	123,804	115,404
Lease liabilities		10,858	13,051
Current tax payable		5,478	8,674
		322,124	336,682
Net current assets		94,980	156,270

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2023

(Expressed in Hong Kong dollars unless otherwise indicated)

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Total assets less current liabilities	478,410	561,743
Non-current liabilities		
Lease liabilities	18,294	13,309
Retirement benefit obligations	7,223	4,696
Deferred tax liabilities	33,071	36,410
	<u>58,588</u>	<u>54,415</u>
Net assets	419,822	507,328
Capital and reserves		
Share capital	147,940	147,940
Reserves	225,059	318,923
Equity attributable to equity shareholders of the Company	372,999	466,863
Non-controlling interests	46,823	40,465
Total equity	419,822	507,328

NOTES TO THE ANNUAL FINANCIAL RESULTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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 2023 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 financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 30 June 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, SHINEWING (HK) CPA Limited, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by SHINEWING (HK) CPA Limited in this respect did not constitute an 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.

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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 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 2023 and 2022.

(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(s) in associates and a joint venture and certain 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	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	774	1,090	16,081	23,770
USA	628,637	992,376	–	–
Belgium	117,173	121,447	–	–
The People's Republic of China ("PRC")	44,566	55,818	203,614	221,160
The Netherlands	51,983	52,649	–	–
Sri Lanka	24,845	44,382	21,653	3,955
Spain	1,713	13,796	–	–
Canada	26,649	37,946	–	–
Germany	18,244	36,060	–	–
France	17,247	29,957	–	–
Italy	2,198	7,857	–	–
Mexico	21,342	15,685	–	–
Thailand	–	–	85,749	98,593
Cambodia	–	–	6,857	17,185
Myanmar	–	–	13,053	12,898
Indonesia	–	–	28,886	24,735
Others	51,645	72,529	–	–
	1,007,016	1,481,592	375,893	402,296

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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Customer A	339,348	583,452
Customer B	293,585	406,013
Customer C	115,847	N/A*
	<u> </u>	<u> </u>

* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

4. OTHER NET INCOME

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Government grants (<i>note</i>)	3,804	3,143
Gross rental income from investment properties	10,788	12,169
Fair value loss on investment properties	(2,720)	(1,679)
Sample income	1,146	424
Interest income from loans to an associate	–	862
Interest income from bank	519	313
Fair value loss on derivative financial instrument	–	(1,402)
Gain on early termination of lease	624	–
Gain on disposal of property, plant and equipment	22	–
Others	1,207	3,973
	<u> </u>	<u> </u>
	<u>15,390</u>	<u>17,803</u>

Note: During the year ended 30 June 2023, the Group received government grants of HK\$3,804,000 (2022: HK\$3,143,000) from the Mainland China and Hong Kong Government, of which HK\$872,000 (2022: HK\$1,784,000) 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. (LOSS)/PROFIT BEFORE TAXATION

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
(a) Finance costs		
Interest expense on bank borrowings	5,246	1,659
Interest on lease liabilities	2,350	1,966
Other bank charges	4,776	4,259
	<u>12,372</u>	<u>7,884</u>
(b) Staff costs		
Staff costs, including directors' emoluments (<i>note (i)</i>)	420,413	487,925
Equity-settled share-based payment expenses	766	1,038
Provision for retirement benefits obligations	2,527	367
	<u>423,706</u>	<u>489,330</u>
(c) Other items		
Auditors' remuneration	1,861	1,790
Depreciation charges		
– property, plant and equipment	27,913	28,229
– right-of-use assets	16,629	17,143
Reversal of impairment loss on trade receivables	(187)	(51)
Write-off of property, plant and equipment (included in general and administrative expenses) (<i>note (ii)</i>)	6,162	–
Write-off of other receivables (included in general and administrative expenses) (<i>note (ii)</i>)	1,641	–
Net allowance for obsolete inventories (included in cost of sales)	(2,033)	9,153
Loss on disposal of property, plant and equipment	–	866
Cost of inventories recognised as an expense	833,710	1,198,511
Net exchange (gain)/loss	(2,821)	5,447
Expense relating to short-term leases	1,320	2,833
Expense relating to leases of low-value assets	71	167
	<u>1,861</u>	<u>1,790</u>

Notes:

- (i) Staff costs included amounts in respect of defined contribution retirement benefit schemes contributions of HK\$24,280,000 (2022: HK\$25,165,000).
- (ii) During the year ended 30 June 2023, the leasehold improvement of HK\$6,162,000 and rental deposit of HK\$1,641,000 are written off upon the early termination of a lease contract which was attributable to the business restructuring associated with suspension of operation of a factory in Southeast Asia.

6. INCOME TAX EXPENSE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current tax:		
Hong Kong	1,168	2,665
Other jurisdictions	<u>1,601</u>	<u>5,247</u>
	----- 2,769	----- 7,912
Under/(over)-provision of current tax in prior years:		
Hong Kong	(95)	(4)
Other jurisdictions	<u>225</u>	<u>26</u>
	----- 130	----- 22
Deferred taxation		
Origination and reversal of temporary differences	<u>(645)</u>	<u>(206)</u>
Income tax expense	<u><u>2,254</u></u>	<u><u>7,728</u></u>

The provision for Hong Kong Profits Tax for 2023 is calculated at 16.5% (2022: 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 2022.

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 2023 (2022: nil).

8. (LOSS)/EARNINGS PER SHARE

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
(Loss)/profit attributable to equity shareholders of the Company for the purpose of computing basic and diluted (loss)/earnings per share	<u><u>(84,732)</u></u>	<u><u>3,550</u></u>
	Number of shares	
	2023	2022
Number of ordinary shares for the purpose of computing basic and diluted (loss)/earnings per share	<u><u>301,052,675</u></u>	<u><u>301,052,675</u></u>

The computation of diluted (loss)/earnings per share does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price for shares for both years ended 30 June 2023 and 2022.

9. INTERESTS IN ASSOCIATES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Group's share of net assets	8,408	3,955
Loans to an associate (<i>note (i),(ii)</i>)	<u>–</u>	<u>21,290</u>
	<u><u>8,408</u></u>	<u><u>25,245</u></u>

Notes:

- (i) During the year ended 30 June 2023, Top Form Brassiere Mfg. Co., Limited ("Top Form Brassiere"), an indirect wholly-owned subsidiary of the Company, entered into a subscription agreement with an associate, PT Bintang Abadi Persada ("BAP"), to subscribe and allot 480 new BAP shares for a consideration of US\$400,000, with US\$398,000 settled by set-off against the loan amount due and owing by BAP to Top Form Brassiere and the remaining US\$2,000 to be paid in cash. Details of which was set out in the Company's Announcement dated 29 December 2022.
- (ii) During the year ended 30 June 2023, Top Form Brassiere assigned US\$2,342,000 of the loan amount due from BAP to PT Pahlawan Gunung Jaya ("PGJ"), an indirect wholly-owned subsidiary of the Company as set-off against US\$2,000,000, being the purchase price of the assets and set off against US\$342,000 being one year rental deposit in relation to the lease agreement and side letter owing by PGJ to BAP. Details of which was set out in the Company's Announcement dated 29 December 2022.

10. TRADE AND OTHER RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables at amortised cost, net of loss allowance	178,576	65,047
Trade receivables to be factored at fair value through other comprehensive income (“FVOCI”) (recycling)	3,394	80,983
Other receivables	<u>19,410</u>	<u>35,540</u>
	<u><u>201,380</u></u>	<u><u>181,570</u></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 2023, the effective interest rates of the factored trade receivables at FVOCI (recycling) ranged from 4.00% to 7.21% per annum (2022: 1.33% to 4.38% per annum). As at 30 June 2023, the fair value changes on trade receivables at FVOCI (recycling) are insignificant and accordingly, no fair value changes are recognised in equity.

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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
1 – 90 days	181,592	144,954
91 – 180 days	<u>378</u>	<u>1,076</u>
	<u><u>181,970</u></u>	<u><u>146,030</u></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.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables	120,168	114,221
Other payables and accrued charges	61,816	85,332
	181,984	199,553

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current	57,907	104,178
1 – 30 days past due	22,568	9,327
31 – 60 days past due	13,652	383
Over 60 days past due	26,041	333
	120,168	114,221

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 2023 and 2022, the unsecured bank loans were repayable as follows:

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year or on demand	<u>123,804</u>	<u>115,404</u>

At 30 June 2023, the Company provided guarantee for bank loans of certain subsidiaries. Such banking facilities amounted to HK\$140,000,000 (2022: HK\$130,000,000). The facilities were utilised to the extent of HK\$123,804,000 (2022: HK\$115,404,000).

All of the Group's facilities are subject to covenant clauses, whereby the Group is required to meet certain key financial ratios and covenants. The Group did not fulfill some financial covenants as required in the agreements with the banks for the outstanding loan amounts of HK\$103,804,000 in aggregate as at 30 June 2023 and the banks are entitled to request for immediate repayment of the outstanding loan amounts due to this breach of the covenant clause. The Group informed the banks and obtained waivers of compliance with the covenant requirements from the bank for the aforesaid loan amounts of HK\$103,804,000 in aggregate subsequent to the end of the reporting period. The original maturities of these bank loans are one year within the end of the reporting period and the outstanding balances were presented as current liabilities as at 30 June 2023.

At 30 June 2022, none of the covenants relating to draw down facilities had been breached.

At 30 June 2023, the Group's effective interest rate was 3.89% (2022: 1.44%) per annum.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The global economy is encountering numerous challenges and uncertainties amid high inflation, increasing interest rates, reduced consumer spending, declining corporate profits and ongoing effects of Russia's invasion of Ukraine. Geopolitical tensions, weakening global demand and tighter monetary and fiscal policies have put a strain on international trade. The consumer demand was adversely impacted by persistently high inflation in the United States (the "U.S.") and Europe, retailers and brands were clearing inventory gluts resulting from supply chain disruptions, which inevitably impacted the Group's revenue. Besides, the U.S. Federal Reserve hiked interest rates multiple times throughout the year, bringing the Federal funds rates up at 5.5%, resulting in an increase in borrowing costs on companies and as a result, the finance costs for the Group was increased during the year.

During the year, the Group's revenue was significantly impacted by our U.S. major customers' inventory gluts alongside the sluggish consumer demand. To address this, we have taken proactive measures to consolidate our manufacturing capacity with the aim to reduce operating costs and optimize utilization rate, ensuring our ability to navigate the uncertain market conditions while maintaining a focus on profitability and sustainable growth. Despite these significant challenges, the Group remains committed to achieving our long-term vision and strategy. During the year, we have made investments in expanding our strategic presence in Asia. These strategic measures position us to meet the increasing demands of our customers and navigate the complexities of the market effectively. We believe that our focus on delivering product innovation and high quality solutions to our customers will pave the way for us to become the long-term supply chain partner for our customers, no matter in good or bad times.

During the year, in monetary terms, 62% of our sales were to the U.S. market whilst the sales to the Europe represented 21% and the rest of the world accounted for 17%. From the supply side, the overseas manufacturing facilities in Asia accounted for 65% of the global production output whilst China accounted for the remaining 35% during the year.

FINANCIAL REVIEW

Revenue

For the year ended 30 June 2023, the revenue of the Group decreased by 32% to HK\$1,007 million from HK\$1,482 million for the year ended 30 June 2022. This decrease in revenue was mainly driven by the significant drop in demand from our brand customers in the U.S. which was caused by high inventory level, as such the demand from them has turned more conservative since the second quarter of this financial year.

Gross Profit

Gross profit decreased from HK\$273.9 million to HK\$175.3 million during the year with gross profit margin decreased from 18.5% to 17.4%. The decrease in gross profit was mainly driven by lower sales while the decrease in gross profit margin was due to decrease in proportion of sales of higher margin products.

Other Net Income

Other net income decreased from HK\$17.8 million to HK\$15.4 million during the year. The decrease was mainly attributable to the decline in rental income resulted from the depreciations of renminbi (“RMB”) during conversion into Hong Kong dollars.

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\$29.2 million for the year ended 30 June 2023, against HK\$37.6 million for the year ended 30 June 2022. The decrease in selling and distribution expenses was mainly driven by lower sales.

General and Administrative Expenses

The Group’s general and administrative expenses amounted to HK\$228.2 million for the year ended 30 June 2023, against HK\$231.1 million for the year ended 30 June 2022. The slight decreases in general and administrative expenses were attributed to a multifaceted interplay of factors. Firstly, there were favorable impacts from the reduction in staff-related expenses and the exchange gains. However, the reduction was offset by additional expenses associated with the commencement of new operations in Indonesia and Sri Lanka. Moreover, one off provisions related to factory restructuring, including a write-off provision of HK\$11.8 million, along with one-off retirement benefits totaling HK\$2.4 million, had a negative impact on the overall expense. These were major financial dynamics accounted for the fluctuations in general and administrative expenses.

Finance Costs

The Group’s finance costs mainly represent interest expenses on bank borrowings, interest on lease liabilities and other bank charges. The finance costs increased from HK\$7.9 million for the year ended 30 June 2022 to HK\$12.4 million for the year ended 30 June 2023. The increase in finance costs was primarily driven by the successive interest rates hikes let to a sharp rise in interest rate.

Loss for the year

The Group recorded a net loss of HK\$78.5 million for the year ended 30 June 2023 as compared with the profit after tax of HK\$11.5 million for the year ended 30 June 2022.

FINANCIAL POSITION

The Group’s bank balances and cash was HK\$112.1 million as at 30 June 2023 (at 30 June 2022: HK\$136.5 million) whilst total bank borrowings was HK\$123.8 million (at 30 June 2022: HK\$115.4 million) and gearing ratio was 29.5% (at 30 June 2022: 22.8%), which was calculated as total interest-bearing bank borrowings divided by total equity. As at 30 June 2022 and 30 June 2023, 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 2023, the cash conversion cycle days were negative 8 days as compared to positive 16 days in previous year.

	As at 30 June 2023	As at 30 June 2022
	(Days)	(Days)
Inventory turnover days	61	65
Receivables turnover days	59	34
Payables turnover days	128	83
Cash conversion cycle days	(8)	16

The cash conversion cycle days decreased from a positive 16 days to a negative 8 days mainly driven by extension of purchase payment term and increase in receivables turnover days, resulting from fewer invoices being discounted in consideration of the interest cost.

Capital expenditure during the year amounted to HK\$33.1 million of which the majority was for the establishment of foam cup factories in Sri Lanka.

FOREIGN EXCHANGE RISK

The Group is mainly exposed to fluctuations in exchange rates of Euro, HK dollars, RMB, U.S. dollars, Thai Baht and Indonesia Rupiah. 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 2023, the Group did not have any significant contingent liabilities.

REMUNERATION POLICY

As at 30 June 2023, the Group had employed approximately 6,242 employees (30 June 2022: approximately 7,239 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.

USE OF PROCEEDS FROM RIGHTS ISSUE AND CHANGE IN USE OF PROCEEDS

The Company completed the rights issue on 19 February 2021, pursuant to which 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 \$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. 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.

As disclosed in the announcement of the Company dated 8 June 2023 (the “**Announcement**”), the Board has resolved to change the use of the unutilised net proceeds to be used as general working capital. The detailed breakdown and description of the net proceeds, the revised allocation of the unutilised net proceeds and the unutilised net proceeds as at 30 June 2023 are set out as follows:

Use of net proceeds	Intended use of proceeds <i>HK\$million</i>	Utilised net proceeds as at the date of the Announcement <i>HK\$million</i>	Unutilised net proceeds for reallocation as at the date of the Announcement <i>HK\$million</i>	Revised allocation of the unutilised net proceeds <i>HK\$million</i>	Utilised net proceeds from the date of the Announcement to 30 June 2023 <i>HK\$million</i>	Unutilised net proceeds as at 30 June 2023 <i>HK\$million</i>
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 (<i>Note</i>)	2.5	2.5	-	9.3	9.3	-
Total	40.4	31.1	9.3	9.3	9.3	-

Note:

From the date of the Announcement and up to 30 June 2023, approximately HK\$9.3 million was used as general working capital for staff costs and office rental.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

Transactions in relation to Purchase of Assets, Lease Agreement and Subscription of BAP Shares

On 29 December 2022, PT Bintang Abadi Persada (“**BAP**”) (as the seller), a company indirectly owned as to 29.6% by the Company through Top Form Brassiere Mfg. Co., Limited (“**Top Form Brassiere**”) (indirect wholly-owned subsidiary of the Company), and PT Pahlawan Gunung Jaya (“**PGJ**”) (as the purchaser), an indirect wholly-owned subsidiary of the Company, entered into the asset sale and purchase agreement (the “**Sale and Purchase Agreement**”), pursuant to which BAP has conditionally agreed to sell and PGJ has conditionally agreed to purchase the building installations, vehicles, office equipment, factory equipment and machineries as listed in schedule 1 to the Sale and Purchase Agreement (the “**Assets**”) at a purchase price of US\$2,000,000.

On 29 December 2022, BAP (as the landlord) and PGJ (as the tenant) also entered into the lease agreement of land and building (the “**Lease Agreement**”) and the side letter to the Lease Agreement (the “**Side Letter**”), pursuant to which BAP has agreed to lease and PGJ has agreed to take the lease of the factory facility located at Jawa Tengah, Indonesia (the “**Premises**”) commencing from 1 January 2023 for a lease period of 3 years at the monthly rent of US\$28,500 plus VAT, from the 1st to 36th months. The aggregate rental amount for the lease period of 3 years is US\$1,026,000.

BAP and Top Form Brasserie had entered into various loan agreements dated 1 July 2020, 2 November 2020 and 1 April 2021 (each a “**Loan Agreement**” and together the “**Loan Agreements**”) whereby Top Form Brassiere had lent to BAP an aggregate amount of US\$2,740,000 (the “**Loan Amount**”).

On 26 December 2022, Top Form Brasserie assigned US\$2,342,000 of the Loan Amount due from BAP to it to PGJ by way of a deed (“**Deed of Assignment**”) to set-off against the US\$2,000,000 payable by PGJ under the Sale and Purchase Agreement. The balance of US\$342,000 shall be used to set-off against the rental deposit in relation to the Lease Agreement and the Side Letter owing by PGJ to BAP at completion of the Sale and Purchase Agreement.

On 29 December 2022, Top Form Brassiere entered into the notarial deed (the “**Subscription Agreement**”) with BAP whereby Top Form Brassiere has agreed to subscribe and BAP has agreed to allot and issue 480 new BAP shares to Top Form Brassiere at a consideration of US\$400,000. Part of the consideration of US\$398,000 is settled by way of a set-off against the balance amount of the Loan Amount due and owing by BAP to Top Form Brassiere, and the remaining consideration of US\$2,000 is settled by cash to be paid by Top Form Brassiere to BAP.

After the assignment of US\$2,342,000 by Top Form Brassiere to PGJ as well as the set-off with BAP and after deducting the consideration of US\$398,000 for the allotment of new BAP Shares to Top Form Brassiere, the amount due and owing under the Loan Agreements from BAP to Top Form Brassiere would be nil.

Consequent upon completion of the Subscription Agreement, Top Form Brassiere's shareholding in BAP will increase from 420 BAP Shares to 900 BAP Shares, representing 47.4% of the total issued share capital of BAP. BAP will continue to be treated as an associated company of the Company.

Further details of the above transactions were set out in the Company's announcements dated 29 December 2022. As at 30 June 2023, the loans to an associate was nil (30 June 2022: HK\$21.3 million).

Save as disclosed above, there were no other significant investments, material acquisitions and disposals by the Group during the year ended 30 June 2023.

EVENTS AFTER THE REPORTING PERIOD

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

OUTLOOK AND FUTURE DEVELOPMENT

Looking ahead, we expect the challenges that suppressed order demand last year such as high inflation, increasing interest rate and customers' inventory pile-up, to gradually ease. Since most of our customers adopted various marketing strategies to reduce excess inventory this year, it is expected that the progressive decline in the inventory-to-sales ratio will pave the way for a rebound in customer orders in the second half of the financial year ending 30 June 2024.

Despite these headwinds, over the past years, our management team has always put strict cost control and resources optimization in principle in every action they take, including building strategic manufacturing footprints and verticality across Asia, strengthening relationships with our customers through best-in-class service and innovative designs, investing in people development, while being opportunistic to capture profitable businesses. With the foundation Top Form has set throughout the years, the Group remains confident that we will successfully navigate through this downturn and position ourselves to capitalize on the change and opportunities that arise in the years ahead.

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 2023.

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance principles and practices with an emphasis on enhancing transparency and accountability and ensuring the application of these principles and practices throughout the Group, striving to deliver long term values to shareholders and drive sustainable growth for the stakeholders.

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 Provision B.2.2 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.

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 2023 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, SHINEWING (HK) CPA Limited, 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 2023 (for the year ended 30 June 2022: nil).

No interim dividend for the six months ended 31 December 2022 has been paid to the shareholders of the Company (the “**Shareholders**”) during the year ended 30 June 2023 (for the six months ended 31 December 2021: nil).

CLOSURE OF REGISTERS OF MEMBERS

Entitlement to attend and vote at the 2023 AGM

The main and branch registers of members of the Company will be closed from Monday, 27 November 2023 to Thursday, 30 November 2023 (both days inclusive) for the purpose of determining the shareholders’ entitlement to attend and vote at the forthcoming annual general meeting on 30 November 2023 (the “**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 documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Secretaries Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 24 November 2023.

PUBLICATION OF 2023 ANNUAL REPORT

The 2023 annual report of the Company containing all the information required by the Listing Rules will be dispatched to shareholders of the Company and will be published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company’s website at www.topform.group in due course.

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

Hong Kong, 28 September 2023

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. Herman Van de Velde and Ms. Lien 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.