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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)

OPERATIONAL UPDATE FOR 3RD QUARTER OF FISCAL 2023 AND CHANGE IN USE OF PROCEEDS FROM RIGHTS ISSUE

This announcement is made by Top Form International Limited (the “**Company**”) and its subsidiaries (collectively “**Top Form**” or the “**Group**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

In continuation of the efforts to enhance the transparency of the Group, the board (the “**Board**”) of directors (the “**Directors**”) of the Company announces the following operational update for the third quarter of fiscal 2023.

SALES

During the quarter, the Group has achieved sales of HK\$265.8 million, which was 39% lower compared with the corresponding period in the prior year. Although the sales was still significantly impacted by the soft demand from our major customers in the United States of America (the “**U.S.**”) due to the high inventory level and declining consumer demand, there was a significant rebound in sales as compared with the second quarter. During the quarter, 67% of sales were to the U.S. market, 21% to the Europe and 12% to the rest of the world.

* *For identification purpose only*

For the nine months ended 31 March 2023, the Group has achieved sales of HK\$737.7 million, which was 35% lower compared with the corresponding period in the prior year. The poor sales performance was mainly attributed to a significant drop in sales to our major customers in the U.S., primarily driven by the overstock situation and persistent high inflation, which have eroded consumer disposable income and dampened demand.

MANUFACTURING

Production from the overseas manufacturing facilities in South East Asia accounted for 71% of the global output with China accounted for the remaining 29% during the quarter. The utilization of our manufacturing capacity was still heavily impacted by the soft demand, in particular our South East Asia facilities as majority of our U.S. customer orders were produced there. In view of the situation, we have started to consolidate our manufacturing capacity in order to reduce operating costs and also improve utilization rate.

During the quarter, gross profit margin was higher as compared with the same period last year as lower sales was offset by improved customer and product mix.

FINANCIAL POSITION

During the quarter, the Group maintains a capital structure with a gearing ratio of 22.1%.

OUTLOOK

Based on the current order situation, we expect sales in fourth quarter to be similar or slightly better than third quarter, but substantially lower than the corresponding quarter last year. For the full year, we expect sales to be substantially lower than prior financial year due to the significant drop in demand from our major customers which may negatively impact our financial performance in the coming months.

Looking ahead, the outlook for global demand remains sluggish, posing continued challenges for the Group. In response, we will prioritize cost management and efficiency, taking proactive measures to rationalize and consolidate our manufacturing capacity. These strategic actions aim to optimize resource allocation and streamline operations, ensuring our ability to navigate the uncertain market conditions while maintaining a focus on profitability and sustainable growth.

The Board wishes to remind investors that the above operational update for the third quarter of fiscal 2023 is based on the Group's unaudited management accounts. Investors are cautioned not to unduly rely on such information.

CHANGE IN USE OF PROCEEDS FROM RIGHTS ISSUE

References are made to (i) the prospectus of the Company dated 25 January 2021 (the “**Prospectus**”) in relation to the rights issue (the “**Rights Issue**”) on the basis of two rights shares for every five existing shares held on record date; and (ii) the interim report of the Company for the six months ended 31 December 2022 (the “**Interim Report**”).

ORIGINAL USE OF PROCEEDS

The net proceeds from the Rights Issue after deducting the expenses were approximately HK\$40.4 million (the “**Net Proceeds**”). As disclosed in the Prospectus, the Group originally intended to apply the net proceeds from the Rights Issue as to (i) approximately HK\$18.6 million for purchase of additional santoni machines for the seamless manufacturing expansion in Thailand; (ii) approximately HK\$12.9 million for the increase of investment in an Indonesian company engaging in the manufacturing of ladies’ underwear; (iii) approximately HK\$6.4 million for the construction of the Myanmar factory facilities; and (iv) approximately HK\$2.5 million for the general working capital to support the daily operations of the Group. As disclosed in the Interim Report, the Group had utilised approximately HK\$31.1 million of the Net Proceeds up to 31 December 2022 in the manner disclosed in the Interim Report.

CHANGE IN USE OF NET PROCEEDS

As at the date of this announcement, the unutilised Net Proceeds amounted to approximately HK\$9.3 million (the “**Unutilised Net Proceeds**”) were originally allocated for purchase of additional santoni machines for the seamless manufacturing expansion in Thailand. In light of the reasons set out in the section below, the Board has resolved to change the use of the Unutilised Net Proceeds to be used as general working capital, which is expected to be fully utilised by the Group by the end of 2023.

Set out below is the utilisation of the Net Proceeds up to the date of this announcement and the revised allocation of the Unutilised Net Proceeds:

	Initial allocation <i>HK\$ million</i>	Utilised Net Proceeds as at the date of this announcement <i>HK\$ million</i>	Unutilised Net Proceeds for reallocation as at the date of this announcement <i>HK\$ million</i>	Revised allocation of the Unutilised Net Proceeds <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
	<u>40.4</u>	<u>31.1</u>	<u>9.3</u>	<u>9.3</u>
Total	<u>40.4</u>	<u>31.1</u>	<u>9.3</u>	<u>9.3</u>

Note:

Out of the Unutilised Net Proceeds of HK\$9.3 million, approximately HK\$2 million would be used as office rental and approximately HK\$7.3 million would be used as staff costs.

REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF UNUTILISED NET PROCEEDS

Due to the sustained high levels of global inflation and the inventory gluts caused by global supply chain disruptions during the COVID period, the demand from customers has softened. After considering the current market conditions and the uncertainties in the global economic outlook, the Group has adopted a more prudent investment strategy to evaluate and implement any expansion plans. Therefore, the Group decided to suspend the expansion plan in Thailand. In order to optimize the financial resources of the Group and to make better use of this fund for general operating needs based on the Group's current operations and the current market environment, the Board has decided to reallocate the Unutilised Net Proceeds originally intended for purchase of santoni machines for the seamless manufacturing expansion in Thailand to general working capital.

The Board confirms that there are no material changes in the nature of the business of the Group. The Directors are of the view that the change of use of the Unutilised Net Proceeds will allow the Company to deploy its financial resources more effectively and is in the best interests of the Company and the shareholders of the Company as a whole and it will not have any material adverse effect on the existing business and operations of the Group.

Shareholders of the Company and potential investors are advised to exercise caution in dealing in the securities of the Company.

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

Hong Kong, 8 June 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.