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TOP FORM INTERNATIONAL LIMITED

黛麗斯國際有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 333)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

INTERIM RESULTS

The board (the “Board”) of directors (the “Director”) of Top Form International Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively “Top Form” or the “Group”) for the six months ended 31 December 2022 (the “Period”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the six months ended 31 December 2022 – unaudited
(Expressed in Hong Kong dollars)*

		Six months ended	
		31 December	
		2022	2021
	Note	\$'000	\$'000
Revenue	3	471,912	713,652
Cost of sales		(382,940)	(585,595)
Gross profit		88,972	128,057
Other net income	4	10,031	10,009
Selling and distribution expenses		(15,078)	(18,761)
General and administrative expenses		(96,759)	(111,813)
(Loss)/profit from operations		(12,834)	7,492

* For identification purpose only

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

For the six months ended 31 December 2022 – unaudited
(Expressed in Hong Kong dollars)

		Six months ended	
		31 December	
	Note	2022	2021
		\$'000	\$'000
(Loss)/profit from operations		(12,834)	7,492
Finance costs	5(a)	(4,408)	(3,042)
Share of profit of a joint venture		964	2,183
Share of profit of associates		304	158
		<u> </u>	<u> </u>
(Loss)/profit before taxation	5	(15,974)	6,791
Income tax expense	6	(1,731)	(2,382)
		<u> </u>	<u> </u>
(Loss)/profit for the period		(17,705)	4,409
		<u> </u>	<u> </u>
Attributable to:			
Equity shareholders of the Company		(23,847)	450
Non-controlling interests		6,142	3,959
		<u> </u>	<u> </u>
(Loss)/profit for the period		(17,705)	4,409
		<u> </u>	<u> </u>
(Loss)/earnings per share (HK cents)	8		
Basic and diluted		(7.92)	0.15
		<u> </u>	<u> </u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended 31 December 2022 – unaudited
(Expressed in Hong Kong dollars)*

	Six months ended	
	31 December	
	2022	2021
	\$'000	\$'000
(Loss)/profit for the period	(17,705)	4,409
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of operations outside Hong Kong		
– subsidiaries	(4,159)	(5,200)
– a joint venture	(841)	1,133
– associates	(12)	(10)
	<u>(5,012)</u>	<u>(4,077)</u>
Other comprehensive income for the period, net of income tax	(5,012)	(4,077)
Total comprehensive income for the period	(22,717)	332
Attributable to:		
Equity shareholders of the Company	(29,349)	(4,544)
Non-controlling interests	6,632	4,876
	<u>(22,717)</u>	<u>332</u>
Total comprehensive income for the period	(22,717)	332

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December 2022 – unaudited
(Expressed in Hong Kong dollars)*

		At 31 December 2022 \$'000	At 30 June 2022 \$'000
	<i>Note</i>		
Non-current assets			
Property, plant and equipment		207,943	182,916
Investment properties		156,623	163,229
Interest in a joint venture		28,304	28,181
Interest in associates	9	7,355	25,245
Other financial assets		2,838	2,838
Deferred tax assets		315	339
Prepayments and deposits		1,377	2,725
		404,755	405,473
		404,755	405,473
Current assets			
Inventories		165,143	174,895
Trade and other receivables	10	134,504	181,570
Bank balances and cash		114,064	136,487
		413,711	492,952
		413,711	492,952
Current liabilities			
Trade payables and accrued charges	11	164,521	199,553
Unsecured bank loans		88,569	115,404
Lease liabilities		11,971	13,051
Current tax payable		5,902	8,674
		270,963	336,682
		270,963	336,682
Net current assets		142,748	156,270
		142,748	156,270
Total assets less current liabilities		547,503	561,743
		547,503	561,743

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2022 – unaudited
(Expressed in Hong Kong dollars)

	At 31 December 2022 \$'000	At 30 June 2022 \$'000
Non-current liabilities		
Lease liabilities	23,882	13,309
Retirement benefit obligations	3,486	4,696
Deferred tax liabilities	34,758	36,410
	<u>62,126</u>	<u>54,415</u>
Net assets	<u>485,377</u>	<u>507,328</u>
Capital and reserves		
Share capital	147,940	147,940
Reserves	290,340	318,923
Equity attributable to equity shareholders of the Company	438,280	466,863
Non-controlling interests	<u>47,097</u>	<u>40,465</u>
Total equity	<u>485,377</u>	<u>507,328</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL RESULTS

For the six months ended 31 December 2022

(Expressed in Hong Kong dollars unless otherwise indicated)

1 BASIS OF PREPARATION

This interim results announcement has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 22 February 2023.

The interim financial result has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements. The 2022 annual financial statements represent the consolidated financial statements for the year ended 30 June 2022, which was approved and authorised for issue by the board of directors on 16 September 2022. Details of any changes in accounting policies are set out in note 2.

2 CHANGES IN ACCOUNTING POLICIES.

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in this results announcement.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 SEGMENT INFORMATION

Revenue represents the sale value of goods 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.

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

All the Group’s assets and liabilities are under the manufacturing business as at 31 December 2022 and 30 June 2022.

4 OTHER NET INCOME

	Six months ended 31 December	
	2022	2021
	\$'000	\$'000
Government grants (<i>note (i)</i>)	2,060	105
Gross rental income from investment properties	5,523	6,343
Interest income	290	559
Sample income	621	338
Gain/(loss) on disposal of property, plant and equipment, net	53	(10)
Others	1,484	2,674
	10,031	10,009

Note:

- (i) During the six months ended 31 December 2022, the Group received government grants of \$2,060,000 from the Mainland China and Hong Kong Government, of which \$872,000 represents funding support from the Employment Support Scheme under the Anti-epidemic Fund set up by the Hong Kong Government (six months ended 31 December 2021: \$105,000 from the Mainland).

5 (LOSS)/PROFIT BEFORE TAXATION

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

	Six months ended 31 December	
	2022	2021
	\$'000	\$'000
(a) Finance costs		
Interest expense on bank borrowings	2,197	635
Interest on lease liabilities	826	501
Other bank charges	1,385	1,906
	4,408	3,042
(b) Other items		
Depreciation charge		
– property, plant and equipment	13,713	14,795
– right-of-use assets	6,438	7,983
Reversal of impairment loss on trade receivable	(187)	–
(Reversal of allowance)/allowance for obsolete inventories (included in cost of sales)	(8,445)	1,723
Net exchange (gain)/loss	(1,345)	3,587

6 INCOME TAX EXPENSE

	Six months ended 31 December	
	2022	2021
	\$'000	\$'000
Current tax:		
Hong Kong Profits Tax	571	1,631
Other jurisdictions	1,214	598
	<u>1,785</u>	<u>2,229</u>
Over provision of Hong Kong Profits Tax in prior year	(78)	(4)
Deferred tax:		
Origination and reversal of temporary differences	24	157
	<u>1,731</u>	<u>2,382</u>

The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods, 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 \$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 for this subsidiary was calculated at the same basis for both periods.

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

7 DIVIDENDS

No interim dividend declared and paid after the interim period end (six months ended 31 December 2021: \$Nil).

8 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

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

	Six months ended 31 December	
	2022	2021
	\$'000	\$'000
(Loss)/profit for the period attributable to the equity shareholders of the Company for the purpose of computing basic (loss)/earnings per share	(23,847)	450
	Number of shares	Number of shares
Number of ordinary shares for the purpose of computing basic (loss)/earnings per share	301,052,675	301,052,675

(b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share for the period ended 31 December 2022 and 31 December 2021 are same as the basic (loss)/earnings per share as the share options outstanding during the respective periods had anti-dilutive effect on the basic (loss)/earnings per share.

9 INTEREST IN ASSOCIATES

	At 31 December 2022 \$'000	At 30 June 2022 \$'000
Cost of investments in unlisted associates (<i>note (i)</i>)	6,993	3,885
Share of post-acquisition profit and reserves	362	70
Loans to an associate (<i>note (i), (ii)</i>)	–	21,290
	<u>7,355</u>	<u>25,245</u>

Notes:

- (i) During the six months ended 31 December 2022, Top Form Brassiere Mfg. Co., Limited (“Top Form Brassiere”), an indirect wholly-owned subsidiary of the Company, entered into a subscription agreement with 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 six months ended 31 December 2022, 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 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.

After the assignment and set-off against the loan, the amount due and owing under the loan agreements from BAP to Top Form Brassiere was nil. (as at 30 June 2022: \$21,290,000).

Movements of the interests in associates are as follows:

	2022 \$'000	2021 \$'000
Balance at 1 July	25,245	23,756
Share of post-acquisition profit for the period	292	148
Additional shares in an associate (<i>note (i)</i>)	15	–
Additional loan to an associate	–	1,982
Loans convert to plant and machinery (<i>note (ii)</i>)	(15,540)	–
Loans convert to rental deposit (<i>note (ii)</i>)	(2,657)	–
	<u>7,355</u>	<u>25,886</u>

9 INTEREST IN ASSOCIATES (CONTINUED)

Top Form Brassiere's shareholding in BAP increased to 47.4% upon completion of the Subscription agreement set out in note (i).

Details of the Group's interest in associates, which are accounted for using the equity method in the consolidated financial statements, are as follows:

Name of associate	Place of incorporation and business	Principal Activity	Effective		Effective	
			Particulars of issued and paid-up capital At 31 December 2022	percentage of equity interest held	Particulars of issued and paid-up capital At 30 June 2022	percentage of equity interest held
Techspase (Private) Limited	Sri Lanka	Moulding and laminating business	Ordinary – USD2,000,000	25%	Ordinary – USD2,000,000	25%
PT Bintang Abadi Persada	Indonesia	Manufacture of ladies' underwear	Ordinary – Rp1,900,000,000	47.4%	Ordinary – Rp1,420,000,000	29.6%

10 TRADE AND OTHER RECEIVABLES

	At 31 December 2022 \$'000	At 30 June 2022 \$'000
Trade receivables at amortised cost, net of loss allowance	51,458	65,047
Trade receivables to be factored at fair value through other comprehensive income (recycling)	46,593	80,983
Other receivables	36,453	35,540
	134,504	181,570

Included in the balance are trade receivables of \$98,051,000 (at 30 June 2022: \$146,030,000). The Group allows an average credit period of 10 days to 120 days to its trade customers.

As part of Group's management, the Group has 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 Group has transferred substantially all risks and rewards to the relevant counterparties.

As at 31 December 2022, the fair value changes on trade receivables at fair value through other comprehensive income ("FVOCI") (recycling) are insignificant and accordingly, no fair value changes are recognised in equity as FVOCI reserve.

10 TRADE AND OTHER RECEIVABLES (CONTINUED)

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:

	At 31 December 2022 \$'000	At 30 June 2022 \$'000
1 - 90 days	96,023	144,954
91 - 180 days	<u>2,028</u>	<u>1,076</u>
	<u><u>98,051</u></u>	<u><u>146,030</u></u>

11 TRADE PAYABLES AND ACCRUED CHARGES

Included in the balance are trade payables of \$82,766,000 (at 30 June 2022: \$114,221,000). Other payables and accrued charges mainly represented accrued freight charges, salaries and other operating expenses.

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

	At 31 December 2022 \$'000	At 30 June 2022 \$'000
Current	59,671	104,178
1 - 30 days past due	10,470	9,327
31 - 60 days past due	6,740	383
Over 60 days past due	<u>5,885</u>	<u>333</u>
	<u><u>82,766</u></u>	<u><u>114,221</u></u>

As the average credit period on purchases of goods is ranged from 30 days to 60 days, a majority of the balances which as disclosed above are within 90 days from the invoice date. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group has had one of the worst 6 months performance in the Group's history, with sales dropping 34% year over year to HK\$471.9 million. This was due to a combination of factors, including inventory gluts in our major customers which was a result of over purchase coupled with significant delay due to global supply chain disruptions during the COVID period, persistently high inflation in the U.S. and Europe which dampened consumer confidence and eroded disposable income, and multiple rate hikes by the US Federal Reserve which not only increased the financing cost but also reduced company spending and investment.

A majority of the drop in sales came from our U.S. customers which mostly impacted our South East Asia facilities. In response, the management team has taken proactive steps to reduce capacity through workforce reduction, elimination of overtime, and temporary shutdown of facilities. We have also implemented stringent cost controls across the organization to reduce expenses. On the positive side, we have seen raw material costs and freight costs started to drop after the significant increase during the COVID period, and the strong USD also helped lowering our operating costs. Unfortunately these were not enough to offset the negative impact of the significant drop in sales.

During the Period, in monetary terms, 54% of sales were to the U.S. market, 25% to the EU and 21% to the rest of the world. From the supply side, our overseas manufacturing facilities in South East Asia accounted for 60% of the global production output, whilst China accounted for the remaining 40% during the Period.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by 34% to HK\$471.9 million for the Period from HK\$713.6 million for the six months ended 31 December 2021. This decrease in revenue was mainly driven by the significant drop in demand from major customers in the U.S.

Gross Profit

Gross profit decreased to HK\$89.0 million for the Period from HK\$128.1 million in the last corresponding period with the gross profit margin increased from 17.9% to 18.9%. The decrease in gross profit was driven by lower sales while the increase in gross profit margin was due to increase in proportion of sales of higher margin products and also lower operating costs as a results of cost cutting measures and favorable exchange rate.

Other Net Income

Other net income remained the same as the last corresponding period at HK\$10 million.

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 & distribution expenses amounted to HK\$15.1 million for the Period, against HK\$18.8 million for the six months ended 31 December 2021. The decrease in selling & distribution expenses was mainly driven by the lower sales.

General and Administrative Expenses

The Group's general and administrative expenses amounted to HK\$96.8 million for the Period, against HK\$111.8 million for the six months ended 31 December 2021. The decrease in general and administrative expenses was mainly attributable to the cost cutting measures and favorable exchange rate.

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\$3 million for the six months ended 31 December 2021 to HK\$4.4 million for the Period. The increase in finance costs was primarily driven by the increasing interest rate.

Loss for the Period

The Group recorded a net loss of HK\$17.7 million for the Period, as compared to a net profit of HK\$4.4 million in the corresponding period last year.

FINANCIAL POSITION

The Group's bank balances and cash stood at HK\$114.1 million (at 30 June 2022: HK\$136.5 million) whilst the total bank borrowings was HK\$88.6 million as at 31 December 2022 (at 30 June 2022: HK\$115.4 million) and the gearing ratio was 18.2% (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 31 December 2022, 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 six months ended 31 December 2022, the cash conversion cycle days were 23 days as compared to 16 days for the year ended 30 June 2022.

	For the six months/year ended	
	31 December 2022	30 June 2022
	<i>(Days)</i>	<i>(Days)</i>
Inventory turnover days	81	65
Receivables turnover days	48	34
Payables turnover days	106	83
Cash conversion cycle days	23	16

The cash conversion cycle days increased from 16 days to 23 days mainly driven by the higher inventory days which was due to seasonal factor and also higher receivable days where we reduced the factoring of receivables to reduce financing costs. Part of the increase was offset by higher payable days.

Capital expenditure during the Period amounted to HK\$28.4 million of which the majority was for the establishment of foam cup factories in Sri Lanka and also capacity expansion in Indonesia.

FOREIGN EXCHANGE RISK

The Group is mainly exposed to fluctuations in exchange rates of Euro, HK dollars, RMB, U.S. 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 31 December 2022, the Group did not have any significant contingent liabilities.

USE OF PROCEEDS FROM RIGHTS ISSUE

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 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”).

The intended use of the net proceeds, utilized net proceeds during the six months ended 31 December 2022 and up to 30 June 2022 respectively; and the remaining balance of unutilised net proceeds as at 31 December 2022 are summarised as follows:

Use of net proceeds	Intended use of net proceeds <i>HK\$ million</i>	Utilized net proceeds during the six months ended 31 December 2022 <i>HK\$ million</i>	Utilized net proceeds up to 30 June 2022 <i>HK\$ million</i>	Remaining balance of unutilised proceeds as at 31 December 2022 <i>HK\$ million</i>
Purchase of santoni machines in Thailand	18.6	0	9.3	9.3
Increase of investment in an Indonesian company	12.9	7.5	5.4	0
Construction of the Myanmar factory facilities	6.4	0	6.4	0
General working capital	2.5	0	2.5	0
Total	<u>40.4</u>	<u>7.5</u>	<u>23.6</u>	<u>9.3</u>

The remaining balance of unutilised net proceeds of approximately HK\$9.3 million as at 31 December 2022 is expected to be utilised before end of December 2023 according to the intentions previously disclosed in the Prospectus.

MATERIAL INVESTMENTS, 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 31 December 2022, the loans to an associate was nil (30 June 2022: HK\$21.3 million).

Save as disclosed above, there were no other material investments, acquisitions and disposals by the Group during the Period.

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

Despite the current macroeconomic environment featuring high inflation and reduced consumer confidence, Top Form remains optimistic about the long-term prospects of our business. We anticipate that the demand from customers will remain soft in the near term due to the potential for recession in the U.S., ongoing geopolitical tensions between China and the U.S., and high interest rates that significantly increase borrowing costs, we expect this to have significant impact on the Group's financial performance in the second half of the current fiscal year. Nevertheless, we remain committed to our vision and are confident that Top Form will be well-positioned to capitalize on any opportunities that arise in the months and years ahead.

We are focused on executing our long-term strategy, deepening our best in class service with our customers from ideation through to delivery, elevating product innovation and ideation to the heart of sustainable long-term partnerships with our customers, positioning the Group's manufacturing network to be strategic and resilient to serve our markets effectively, and reinforcing our strategic footprint and our proprietary product technology through what we call "Strategic Verticality". We are also looking to further strengthen our balance sheet, in order to position ourselves to take advantage of any opportunities that arise in the coming months.

Finally, we are investing in the development of our people, creating a culture of innovation and continuous improvement. We are committed to providing our employees with the skills, knowledge and resources they need to succeed in a fast-paced and ever-evolving business environment. We are confident that our investments in our people, our technology, and our customer relationships will enable Top Form to continue to grow and be successful 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 six months ended 31 December 2022.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 31 December 2022 (six months ended 31 December 2021: Nil).

AUDIT COMMITTEE

The Audit Committee comprises Ms. Leung Churk Yin, Jeanny, Mr. Leung Ying Wah, Lambert and Mr. Lin Sun Mo, Willy, all of whom are independent non-executive Directors of the Company.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed financial reporting matters, internal controls and risk management systems.

The Company's unaudited interim financial report for the six months ended 31 December 2022 has been reviewed by the Audit Committee of the Company.

CORPORATE GOVERNANCE

The Company has, during the six months ended 31 December 2022, 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 deviation.

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.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Employees who are likely to be in possession of inside information of the Company are also subject to compliance with guidelines on no less exacting terms than the Model Code.

EMPLOYEES

As at 31 December 2022, the Group had employed approximately 5,998 employees (30 June 2022: approximately 7,239 employees). The remuneration policy and package of the Group’s employees are structured by reference to the prevailing market conditions and statutory requirements as appropriate. The Group also provides other staff benefits such as medical insurance, mandatory provident fund contributions and a share option scheme to its employees.

INTERIM REPORT

The interim report 2023 of the Company containing all the information required by the Listing Rules 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, and will be dispatched to shareholders of the Company before the end of March 2023.

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

Hong Kong, 22 February 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.