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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2022

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 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2022

(Expressed in Hong Kong dollars unless otherwise indicated)

	Note	2022 \$'000	2021 \$'000
Revenue	3	1,481,592	1,428,532
Cost of sales		<u>(1,207,664)</u>	<u>(1,190,553)</u>
Gross profit		273,928	237,979
Other net income	4	17,803	56,614
Selling and distribution expenses		(37,616)	(60,098)
General and administrative expenses		<u>(231,065)</u>	<u>(219,326)</u>
Profit from operations		23,050	15,169
Finance costs	5(a)	(7,884)	(6,846)
Share of profits of a joint venture		3,658	2,989
Share of profits of associates		392	639
Profit before taxation	5	19,216	11,951
Income tax expense	6	<u>(7,728)</u>	<u>(4,806)</u>
Profit for the year		<u>11,488</u>	<u>7,145</u>

* For identification purpose only

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

For the year ended 30 June 2022

(Expressed in Hong Kong dollars unless otherwise indicated)

	<i>Note</i>	2022 \$'000	2021 \$'000
Attributable to:			
Equity shareholders of the Company		3,550	2,797
Non-controlling interests		7,938	4,348
		<hr/>	<hr/>
Profit for the year		11,488	7,145
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share	8		
Basic and diluted		HK\$0.012	HK\$0.011
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2022

(Expressed in Hong Kong dollars unless otherwise indicated)

	2022	2021
<i>Note</i>	\$'000	\$'000
Profit for the year	11,488	7,145
Other comprehensive income		
<i>Items that will not be subsequently reclassified to profit or loss:</i>		
Gain on revaluation of properties upon transfer of investment properties	4,629	–
Deferred tax liability arising on gain on revaluation of properties upon transfer	(1,157)	–
	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	(17,959)	4,199
– a joint venture	(349)	2,317
– associates	(885)	(76)
Other comprehensive income for the year, net of income tax	(15,721)	6,440
Total comprehensive income for the year	(4,233)	13,585
Attributable to:		
Equity shareholders of the Company	(9,715)	9,210
Non-controlling interests	5,482	4,375
Total comprehensive income for the year	(4,233)	13,585

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

(Expressed in Hong Kong dollars unless otherwise indicated)

	<i>Note</i>	2022 \$'000	2021 \$'000
Non-current assets			
Property, plant and equipment		182,916	205,577
Investment properties		163,229	161,821
Interest in a joint venture		28,181	27,465
Interest in associates	9	25,245	23,756
Other financial assets		2,838	2,838
Derivative financial instrument		–	1,402
Deferred tax assets		339	571
Prepayments and deposits		2,725	1,797
		<u>405,473</u>	<u>425,227</u>
Current assets			
Inventories		174,895	255,868
Trade and other receivables	10	181,570	163,171
Bank balances and cash		136,487	92,217
		<u>492,952</u>	<u>511,256</u>
Current liabilities			
Trade payables and accrued charges	11	199,553	261,720
Unsecured bank loans	12	115,404	87,980
Lease liabilities		13,051	13,087
Current tax payable		8,674	5,026
		<u>336,682</u>	<u>367,813</u>
Net current assets		<u>156,270</u>	<u>143,443</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2022

(Expressed in Hong Kong dollars unless otherwise indicated)

	<i>Note</i>	2022 \$'000	2021 \$'000
Total assets less current liabilities		561,743	568,670
Non-current liabilities			
Lease liabilities		13,309	16,504
Retirement benefit obligations		4,696	4,329
Deferred tax liabilities		36,410	36,618
Other payables		–	696
		54,415	58,147
Net assets		507,328	510,523
Capital and reserves			
Share capital		147,940	147,940
Reserves		318,923	327,600
Equity attributable to equity shareholders of the Company		466,863	475,540
Non-controlling interests		40,465	34,983
Total equity		507,328	510,523

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 2022 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 2022 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.

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 2022 and 2021.

(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	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Hong Kong	1,090	18,417	23,770	22,741
USA	992,376	1,072,602	–	–
Belgium	121,447	97,200	–	–
The People's Republic of China ("PRC")	55,818	25,899	221,160	227,978
The Netherlands	52,649	30,647	–	–
Sri Lanka	44,382	42,547	3,955	4,448
Spain	13,796	30,150	–	–
Canada	37,946	14,747	–	–
Germany	36,060	21,251	–	–
France	29,957	21,379	–	–
Italy	7,857	8,434	–	–
Mexico	15,685	11,838	–	–
Thailand	–	–	98,593	128,441
Cambodia	–	–	17,185	3,234
Myanmar	–	–	12,898	14,266
Indonesia	–	–	24,735	19,308
Others	72,529	33,421	–	–
	1,481,592	1,428,532	402,296	420,416

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:

	2022 \$'000	2021 \$'000
Customer A	583,452	678,315
Customer B	406,013	356,556

4. OTHER NET INCOME

	2022 \$'000	2021 \$'000
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>)	3,143	11,857
Gross rental income from investment properties	12,169	8,921
Fair value (loss)/gain on investment properties	(1,679)	3,686
Sample income	424	1,471
Interest income from loan to an associate	862	335
Interest income from banks	313	224
Fair value loss on derivative financial instrument	–	(1)
Derecognition of derivative financial instrument	(1,402)	–
Revaluation loss upon transfer of property, plant and equipment	–	(1,337)
Others	3,973	3,453
	<u>17,803</u>	<u>56,614</u>

Note:

- (i) During the year ended 30 June 2022, no disposal of a self-owned property (2021: the Group disposed of a self-owned property with net book value of \$Nil to an independent third party at a consideration of \$28,000,000 resulting in a net gain on disposal of \$27,868,000 after netting of the related transaction costs).
- (ii) During the year ended 30 June 2022, the Group received government grants of \$3,143,000 (2021: \$11,857,000) from the Mainland China and Hong Kong Government, of which \$1,784,000 (2021: \$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 BEFORE TAXATION

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

	2022 \$'000	2021 \$'000
(a) Finance costs		
Interest expense on bank borrowings	1,659	1,068
Interest on lease liabilities	1,966	1,308
Other bank charges	4,259	4,470
	<u>7,884</u>	<u>6,846</u>
(b) Staff costs		
Staff costs, including directors' emoluments (<i>note</i>)	487,926	481,853
Equity-settled share-based payment expenses	1,037	162
Provision for retirement benefits obligations	367	1,219
Reversal of over provision for severance payments	–	(953)
	<u>489,330</u>	<u>482,281</u>
(c) Other items		
Auditors' remuneration	1,790	1,983
Depreciation charges		
– owned property, plant and equipment	28,229	32,682
– right-of-use assets	17,143	18,526
Reversal of impairment loss on trade receivables	(51)	(2,274)
Net allowance for obsolete inventories (included in cost of sales)	9,153	1,977
Loss on disposal of property, plant and equipment	866	–
Cost of inventories recognised as an expense	1,198,511	1,188,576
Net exchange loss	5,447	10,626
Expense relating to short-term leases	2,833	2,087
Expense relating to leases of low-value assets	167	395
	<u>1,198,511</u>	<u>1,188,576</u>

Note: Staff cost included amounts in respect of defined contribution retirement benefit schemes contributions of \$25,165,000 (2021: \$26,274,000).

6. INCOME TAX EXPENSE

	2022 \$'000	2021 \$'000
Current tax:		
Hong Kong	2,665	3,021
Other jurisdictions	5,247	471
	<u>7,912</u>	<u>3,492</u>
	-----	-----
(Over)/under-provision of current tax in prior years:		
Hong Kong	(4)	(21)
Other jurisdictions	26	(1)
	<u>22</u>	<u>(22)</u>
	-----	-----
Deferred taxation		
Origination and reversal of temporary differences	(206)	1,336
	<u>(206)</u>	<u>1,336</u>
	-----	-----
Income tax expense	<u>7,728</u>	<u>4,806</u>
	=====	=====

The provision for Hong Kong Profits Tax for 2022 is calculated at 16.5% (2021: 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 \$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 2021.

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 2022 (2021: nil).

8. EARNINGS PER SHARE

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

	2022 \$'000	2021 \$'000
Profit attributable to equity shareholders of the Company for the purpose of computing basic earnings per share	<u>3,550</u>	<u>2,797</u>
	Number of shares	
	2022	2021
Number of weighted average of ordinary shares for the purpose of computing basic earnings per share	<u>301,052,675</u>	<u>257,375,668</u>

On 19 February 2021, the Company completed a rights issue of 86,015,050 rights shares at the subscription prices of \$0.5 per rights share on the basis of two rights shares for every five shares at the Company.

Diluted earnings per share for the years ended 30 June 2022 and 30 June 2021 are same as the basic earnings per share as the share options outstanding during the respective years had an anti-dilutive effect on the basic earnings per share.

9. INTEREST IN ASSOCIATES

	2022 \$'000	2021 \$'000
Group's share of net assets	3,955	4,448
Loans to an associate	<u>21,290</u>	<u>19,308</u>
	<u>25,245</u>	<u>23,756</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 dates.

10. TRADE AND OTHER RECEIVABLES

	2022 \$'000	2021 \$'000
Trade receivables at amortised cost, net of loss allowance	65,047	72,079
Trade receivables to be factored at fair value through other comprehensive income (recycling)	80,983	60,176
Other receivables	35,540	30,916
	<u>181,570</u>	<u>163,171</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 2022, the effective interest rates of the factored trade receivables at FVOCI (recycling) ranged from 1.33% to 4.38% per annum (2021: 1.36% to 3.45% per annum). As at 30 June 2022, 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:

	2022 \$'000	2021 \$'000
1 - 90 days	144,954	123,787
91 - 180 days	1,076	8,468
	<u>146,030</u>	<u>132,255</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.

	2022	2021
	<i>\$'000</i>	<i>\$'000</i>
Trade payables	114,221	144,146
Other payables and accrued charges	85,332	117,574
	<u>199,553</u>	<u>261,720</u>

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

	2022	2021
	<i>\$'000</i>	<i>\$'000</i>
Current	104,178	102,234
1 – 30 days past due	9,327	28,315
31 – 60 days past due	383	9,571
Over 60 days past due	333	4,026
	<u>114,221</u>	<u>144,146</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 2022 and 2021, the unsecured bank loans were repayable as follows:

	2022	2021
	\$'000	\$'000
Within one year or on demand	<u>115,404</u>	<u>87,980</u>

At 30 June 2022, the Company provided guarantee for bank loans of certain subsidiaries. Such banking facilities amounted to \$130,000,000 (2021: \$110,000,000). The facilities were utilised to the extent of \$115,404,000 (2021: \$87,980,000).

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.

At 30 June 2022, the Group's effective interest rate per annum was 1.44% (2021: 1.21%).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year, COVID-19 evolved from Delta to Omicron and continued to pose significant challenges to the Group. On one hand, our operation was significantly disrupted due to the surge in COVID-19 infections across different part of Asia, which resulted in intermittent closure of factories and offices, increased absenteeism of employees due to quarantine requirement, additional costs in regular testing, isolation and containment as required by local authority, delay in material supplies as a result of extensive lockdowns of major cities in China. On the other hand, the U.S. and Europe had opened up and removed most of the pandemic prevention measures, demand for our products from traditional cut-and-sewn, bonding and seamless technology products continued to surge and back to the pre-pandemic level, which added strains to the already tight supply chain as a result of COVID-19 disruptions. Nevertheless, with the diversified manufacturing network across China and South East Asia and the strategic investment made in the last three years, Top Form has emerged from such challenging environment and recorded historical high revenue.

In addition to the never ending COVID-19 disruptions, the world is also facing multi-decades record high inflationary pressure which stemmed from the turmoil caused by COVID-19 and exacerbated by the Russia aggression in Ukraine. A surge in global commodity prices have resulted in industry-wide increase in raw material costs, sky high transportation costs and increasing pressure to raise wages. Top Form has diligently managed these challenges through selling price increases, proactively managing supplier shipments and factory loading to ensure on-time delivery, rigorous cost management and ongoing improvement in operation efficiency. As a result Top Form has recorded a 61% year over year increase in net profit.

During the year, in monetary terms, 67% of our sales were to the U.S. market whilst the sales to the EU represented 18% and the rest of the world accounted for 15%. From the supply side, the overseas manufacturing facilities in South East Asia accounted for 63% of the global production output whilst China accounted for the remaining 37% during the year.

FINANCIAL REVIEW

Revenue

For the year ended 30 June 2022, the revenue of the Group increased by 4% to HK\$1,482 million from HK\$1,429 million for the year ended 30 June 2021. This increase in revenue was mainly driven by the strong recovery of sales to European customers, price increase negotiated with customers beginning in second half, and ramp up sales to new customers on boarded last year.

Gross Profit

Gross profit increased from HK\$238.0 million to HK\$273.9 million during the year with gross profit margin increased from 16.7% to 18.5%. The increase in gross profit was mainly due to higher sales and improved customer and product mix.

Other Net Income

Other net income decreased from HK\$56.6 million to HK\$17.8 million during the year. The decrease was mainly attributable to the absence of approximately HK\$28.0 million one-off sales proceeds from the disposal of property in Hong Kong in previous financial year; and approximately HK\$1.8 million wage subsidies received by the Company's subsidiaries through Hong Kong Government's Employer Support Scheme as compared to HK\$6.7 million wage subsidies received in previous financial year.

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\$37.6 million for the year ended 30 June 2022, against HK\$60.1 million for the year ended 30 June 2021. The decrease in selling & distribution expenses was mainly driven by a significant reduction in air freight costs.

General and Administrative Expenses

The Group's general and administrative expenses amounted to HK\$231.1 million for the year ended 30 June 2022, against HK\$219.3 million for the year ended 30 June 2021. The increase in general and administrative expenses was mainly attributable to the absence of one-off cost reduction measures undertaken in the first quarter of last financial year and higher sales.

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\$6.8 million for the year ended 30 June 2021 to HK\$7.9 million for the year ended 30 June 2022. The increase in finance costs was primarily driven by the higher sales and increasing interest rate.

Profit for the year

The Group recorded a profit after tax of HK\$11.5 million for the year ended 30 June 2022 as compared with the profit after tax of HK\$7.1 million for the year ended 30 June 2021.

FINANCIAL POSITION

The Group's bank balances and cash was HK\$136.5 million as at 30 June 2022 (at 30 June 2021: HK\$92.2 million) whilst total bank borrowings was HK\$115.4 million (at 30 June 2021: HK\$88 million) and gearing ratio was 22.8% (at 30 June 2021: 17.2%), which was calculated as total interest-bearing bank borrowings divided by total equity. As at 30 June 2021 and 30 June 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 year ended 30 June 2022, the cash conversion cycle days were 16 days as compared to 24 days in previous year.

	As at 30 June 2022 (Days)	As at 30 June 2021 (Days)
Inventory turnover days	65	67
Receivables turnover days	34	31
Payables turnover days	83	74
Cash conversion cycle days	16	24

The cash conversion cycle days decreased from 24 days to 16 days mainly driven by the improvement in inventory days and the increase in payable days which was due to timing difference of actual payment at the end of the period.

Capital expenditure during the year amounted to HK\$24.5 million of which the majority was for the capacity expansion in South East Asia.

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 2022, the Group did not have any significant contingent liabilities.

REMUNERATION POLICY

As at 30 June 2022, the Group had employed approximately 7,239 employees (30 June 2021: approximately 7,681 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

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, actual use of the net proceeds and the remaining balance of unutilised net proceeds as at 30 June 2022 are summarised as follows:

Use of net proceeds	Intended use of net proceeds <i>HK\$million</i>	Actual use of net proceeds as at 30 June 2022 <i>HK\$million</i>	Remaining balance of unutilised net proceeds as at 30 June 2022 <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	5.4	7.5
Construction of the Myanmar factory facilities	6.4	6.4	–
General working capital	2.5	2.5	–
	<hr/>	<hr/>	<hr/>
Total	40.4	23.6	16.8
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The remaining balance of unutilised net proceeds of approximately HK\$16.8 million as at 30 June 2022 is expected to be utilised before end of December 2023 according to the intentions previously disclosed in the Prospectus.

LOANS TO AN ASSOCIATE

As at 30 June 2022, the loans to an associate amounted to HK\$21.3 million (30 June 2021: HK\$19.3 million), which did not exceed the maximum principal amount of loans of US\$3.0 million (equivalent to HK\$23.3 million) that can be drawn pursuant to the respective loans agreements. 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.

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

As the inflation continue to climb in the U.S. and reached a multi-decade high in recent months, the consumer confidence subsided as a result of declining disposal income as an increasing portion of their income was spent on food and gasoline. This together with the arriving of delayed shipments that the retailers ordered to fill the shelf in late 2021 amidst the logistic chaos caused by COVID-19, has significantly pushed up the inventory level of most of retailers in the U.S. As a result, most of the retailers in the U.S. in their recent quarterly results announcement had called for aggressive price reduction in order to clean up the excess inventory.

With the challenging macro environment, we expect the demand from customers will be softening in first half of fiscal 2023. Nevertheless, we are focused on executing on our long term strategy, increasing penetration and market share through our service, innovation and speed, driving operation efficiency across the entire organizations, increasing operating cash flow, and continue strengthening our balance sheet. With the foundations Top Form has set over the years, we have confidence we will emerge from this volatile environment in a position that is even more competitive to better serve our customers 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 2022.

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 2022 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 2022 (for the year ended 30 June 2021: nil).

No interim dividend for the six months ended 31 December 2021 has been paid to the shareholders of the Company (the “Shareholders”) during the year ended 30 June 2022 (for the six months ended 31 December 2020: nil).

CLOSURE OF REGISTERS OF MEMBERS

Entitlement to attend and vote at the 2022 AGM

The main and branch registers of members of the Company will be closed from Tuesday, 15 November 2022 to Friday, 18 November 2022 (both days inclusive) for the purpose of determining the shareholders’ entitlement to attend and vote at the forthcoming annual general meeting on 18 November 2022 (“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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Monday, 14 November 2022.

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

Hong Kong, 16 September 2022

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.