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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 2023

INTERIM RESULTS

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 31 December 2023 – unaudited

(Expressed in Hong Kong dollars)

		Six months ended 31 December	
		2023	2022
	Notes	HK\$'000	HK\$'000
Revenue	3	513,747	471,912
Cost of sales		<u>(403,227)</u>	<u>(382,940)</u>
Gross profit		110,520	88,972
Other net income	4	12,381	10,031
Selling and distribution expenses		(16,642)	(15,078)
General and administrative expenses		<u>(107,807)</u>	<u>(96,759)</u>
Loss from operations		(1,548)	(12,834)

* For identification purpose only

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

For the six months ended 31 December 2023 – unaudited
(Expressed in Hong Kong dollars)

		Six months ended	
		31 December	
		2023	2022
	Notes	HK\$'000	HK\$'000
Loss from operations		(1,548)	(12,834)
Finance costs	5(a)	(8,464)	(4,408)
Share of profit of a joint venture		1,844	964
Share of profit of associates		209	304
		<u> </u>	<u> </u>
Loss before taxation	5	(7,959)	(15,974)
Income tax expense	6	(1,575)	(1,731)
		<u> </u>	<u> </u>
Loss for the period		(9,534)	(17,705)
		<u> </u>	<u> </u>
Attributable to:			
Equity shareholders of the Company		(12,981)	(23,847)
Non-controlling interests		3,447	6,142
		<u> </u>	<u> </u>
Loss for the period		(9,534)	(17,705)
		<u> </u>	<u> </u>
Loss per share (HK cents)	8		
Basic and diluted		(4.31)	(7.92)
		<u> </u>	<u> </u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended 31 December 2023 – unaudited
(Expressed in Hong Kong dollars)*

	Six months ended	
	31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period	(9,534)	(17,705)
Other comprehensive income/(expense):		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of operations outside Hong Kong		
– subsidiaries	2,116	(4,159)
– a joint venture	468	(841)
– associates	(232)	(12)
Other comprehensive income/(expense) for the period, net of income tax	2,352	(5,012)
Total comprehensive expense for the period	(7,182)	(22,717)
Attributable to:		
Equity shareholders of the Company	(11,237)	(29,349)
Non-controlling interests	4,055	6,632
Total comprehensive expense for the period	(7,182)	(22,717)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December 2023 – unaudited
(Expressed in Hong Kong dollars)*

		At 31 December 2023 <i>HK\$'000</i>	At 30 June 2023 <i>HK\$'000</i>
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		184,760	189,004
Investment properties		152,308	150,027
Interest in a joint venture		26,416	28,454
Interests in associates		8,385	8,408
Other financial assets		2,838	2,838
Deferred tax assets		359	264
Prepayments and deposits		4,331	4,435
		379,397	383,430
		379,397	383,430
Current assets			
Inventories		130,565	103,594
Trade and other receivables	9	236,021	201,380
Bank balances and cash		98,733	112,130
		465,319	417,104
		465,319	417,104
Current liabilities			
Trade payables and accrued charges	10	234,798	181,984
Unsecured bank loans		119,031	123,804
Lease liabilities		14,556	10,858
Current tax payable		6,022	5,478
		374,407	322,124
		374,407	322,124
Net current assets		90,912	94,980
Total assets less current liabilities		470,309	478,410

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2023 – unaudited
(Expressed in Hong Kong dollars)

	At 31 December 2023 HK\$'000	At 30 June 2023 HK\$'000
Non-current liabilities		
Lease liabilities	16,517	18,294
Retirement benefit obligations	7,198	7,223
Deferred tax liabilities	33,641	33,071
	<u>57,356</u>	<u>58,588</u>
Net assets	<u>412,953</u>	<u>419,822</u>
Capital and reserves		
Share capital	147,940	147,940
Reserves	214,135	225,059
Equity attributable to equity shareholders of the Company	362,075	372,999
Non-controlling interests	<u>50,878</u>	<u>46,823</u>
Total equity	<u>412,953</u>	<u>419,822</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL RESULTS

For the six months ended 31 December 2023

(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 2024.

The interim financial result has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements. The 2023 annual financial statements represent the consolidated financial statements for the year ended 30 June 2023, which was approved and authorised for issue by the board of directors on 28 September 2023. 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 have 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 2023 and 30 June 2023.

4 OTHER NET INCOME

	Six months ended	
	31 December	
	2023	2022
	HK\$'000	HK\$'000
Government grants (<i>note (i)</i>)	1,714	2,060
Gross rental income from investment properties	6,032	5,523
Interest income	858	290
Sample income	469	621
Gain on disposal of property, plant and equipment, net	272	53
Others	3,036	1,484
	<u>12,381</u>	<u>10,031</u>

Note:

- (i) During the period ended 31 December 2023, the Group received government grants of HK\$1,714,000 from the Mainland China government. During the period ended 31 December 2022, the Group received government grants of HK\$2,060,000 from the Mainland China and Hong Kong Government of which HK\$872,000 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 BEFORE TAXATION

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

	Six months ended	
	31 December	
	2023	2022
	HK\$'000	HK\$'000
(a) Finance costs		
Interest expense on bank borrowings	3,978	2,197
Interest on lease liabilities	978	826
Other bank charges	3,508	1,385
	<u>8,464</u>	<u>4,408</u>
(b) Other items		
Depreciation charge		
– property, plant and equipment	14,223	13,713
– right-of-use assets	6,783	6,438
Reversal of impairment loss on trade receivables	–	(187)
Net allowance for obsolete inventories (included in cost of sales)	(2,323)	(8,445)
Net exchange gain	(1,873)	(1,345)
	<u>(1,873)</u>	<u>(1,345)</u>

6 INCOME TAX EXPENSE

	Six months ended	
	31 December	
	2023	2022
	HK\$'000	HK\$'000
Current tax:		
Hong Kong Profits Tax	186	571
Other jurisdictions	1,484	1,214
	<u>1,670</u>	<u>1,785</u>
Over provision of Hong Kong Profits Tax in prior year	–	(78)
Deferred tax:		
Origination and reversal of temporary differences	(95)	24
	<u>1,575</u>	<u>1,731</u>

6 INCOME TAX EXPENSE (CONTINUED)

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 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 for this subsidiary was calculated at the same basis for both periods.

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 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 2022: Nil).

8 LOSS PER SHARE

(a) Basic loss per share

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

	Six months ended 31 December	
	2023	2022
	HK\$'000	HK\$'000
Loss for the period attributable to the equity shareholders of the Company for the purpose of computing basic loss per share	<u>(12,981)</u>	<u>(23,847)</u>
	Number of shares	Number of shares
Number of weighted average of ordinary shares for the purpose of computing basic loss per share	<u>301,052,675</u>	<u>301,052,675</u>

(b) Diluted loss per share

Diluted loss per share for the periods ended 31 December 2023 and 31 December 2022 are same as the basic loss per share as the share options outstanding during the respective periods had no dilutive effect on the basic loss per share. There are no dilutive potential ordinary shares for both periods.

9 TRADE AND OTHER RECEIVABLES

	At 31 December 2023 <i>HK\$'000</i>	At 30 June 2023 <i>HK\$'000</i>
Trade receivables at amortised cost, net of loss allowance	161,436	178,576
Trade receivables to be factored at fair value through other comprehensive income (recycling)	46,861	3,394
Other receivables	27,724	19,410
	236,021	201,380

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

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 2023, 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.

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 2023 <i>HK\$'000</i>	At 30 June 2023 <i>HK\$'000</i>
1 – 90 days	207,395	181,592
91 – 180 days	902	378
	208,297	181,970

Trade receivables are due within 10 days to 90 days from the date of billing.

10 TRADE PAYABLES AND ACCRUED CHARGES

Included in the balance are trade payables of HK\$154,580,000 (at 30 June 2023: HK\$120,168,000). Other payables and accrued charges mainly represented accrued freight charges, salaries and other operating expenses.

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

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 2023 <i>HK\$'000</i>	At 30 June 2023 <i>HK\$'000</i>
Current	77,466	57,907
1 – 30 days past due	42,758	22,568
31 – 60 days past due	23,761	13,652
Over 60 days past due	10,595	26,041
	154,580	120,168

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

Looking ahead to 2024, Top Form acknowledges the persistently uncertain macro environment. While the likelihood of a soft landing has increased, caution prevails due to potential volatility in the United States (the “U.S.”) economy. Signs of a downward trajectory in inflation and expected interest rate cuts provide some optimism. Though the probability of a U.S. recession has diminished, geopolitical tensions remain a risk.

During the Period, the Group’s revenue rose by 8.9% to HK\$513.7 million, driven by increased demand from major customers. Last year’s impact from U.S. major customer inventory gluts and sluggish consumer demand has diminished. The Group’s net loss for the Period narrowed to HK\$9.5 million, proving our efforts in adapting to market conditions and driving operational efficiency.

During the Period, in monetary terms, 73% of sales were to the U.S. market, 15% to the Europe and 12% to the rest of the world. From the supply side, our overseas manufacturing facilities in 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 increased by 8.9% to HK\$513.7 million for the Period from HK\$471.9 million for the six months ended 31 December 2022. This increase in revenue was mainly driven by the increase in demand from major customers in the U.S.

Gross Profit

Gross profit increased to HK\$110.5 million for the Period from HK\$89.0 million in the last corresponding period with the gross profit margin increased from 18.9% to 21.5%. The increase in gross profit was driven by higher sales while the increase in gross profit margin was due to increase in proportion of sales of higher margin products and vertical integration of component businesses.

Other Net Income

Other net income increased to HK\$12.4 million for the Period from HK\$10.0 million in the last corresponding period.

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 experienced a slight increase to HK\$16.6 million for the Period, up from HK\$15.1 million in the corresponding period last year. In terms of the percentage of revenue, the Group's selling and distribution expenses remained at the same level as the corresponding period last year.

General and Administrative Expenses

The Group's general and administrative expenses amounted to HK\$107.8 million for the Period, against HK\$96.8 million for the six months ended 31 December 2022. The increase in general and administrative expenses was mainly attributable to ramp up of operation in Indonesia.

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\$4.4 million for the six months ended 31 December 2022 to HK\$8.5 million for the Period. The increase in finance costs was primarily attributable to the increase in the utilisation of trade finance and the increase in interest rate.

Loss for the Period

The Group recorded a net loss of HK\$9.5 million for the Period, as compared to a net loss of HK\$17.7 million in the corresponding period last year.

FINANCIAL POSITION

The Group's bank balances and cash stood at HK\$98.7 million (at 30 June 2023: HK\$112.1 million) whilst the total bank borrowings was HK\$119.0 million as at 31 December 2023 (at 30 June 2023: HK\$123.8 million) and the gearing ratio was 28.8% (at 30 June 2023: 29.5%), which was calculated as total interest-bearing bank borrowings divided by total equity. As at 30 June 2023 and 31 December 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 six months ended 31 December 2023, the cash conversion cycle days were negative 12 days as compared to negative 8 days for the year ended 30 June 2023.

	For the six months/ year ended	
	31 December 2023 (Days)	30 June 2023 (Days)
Inventory turnover days	54	61
Receivables turnover days	70	59
Payables turnover days	136	128
Cash conversion cycle days	(12)	(8)

Capital expenditure during the Period amounted to HK\$7.8 million of which the majority was for the machineries and computer equipment.

FOREIGN EXCHANGE RISK

The Group is mainly exposed to fluctuations in exchange rates of Euro, HK dollars, Renminbi, 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 31 December 2023, the Group did not have any significant contingent liabilities.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

During the Period, the Group did not conduct any significant investments, material acquisitions and disposals.

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

As we anticipate a gradual improvement in revenue, prompted by the easing of high inflation and customer destocking, we are proud of Top Form's resilience amid the challenges of this downturn. The strategic groundwork laid over the years has not only fortified our position but has also set the stage for embracing upcoming opportunities with confidence.

Our commitment to the overarching vision remains unwavering, positioning Top Form for the execution of our long-term strategy involving deepening our commitment to best-in-class service, anchoring product innovation and ideation in lasting partnerships with our customers, and making investments in our people. Simultaneously, we will maintain vigilance in our cost control, efficiency enhancement, and resource optimization in the immediate term.

Looking at our business through a long term lens, we believe Top Form stands prepared to navigate business cycles. As we look ahead, we have a strong sense of optimism, and take pride in our position to seize opportunities in the years to come.

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 2023.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 31 December 2023 (six months ended 31 December 2022: Nil).

AUDIT COMMITTEE

The Audit Committee comprises Ms. Leung Churk Yin, Jeanny, Mr. Leung Ying Wah, Lambert and Mr. Wang Man Hon, Sidney, 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 2023 has been reviewed by the Audit Committee of the Company.

CORPORATE GOVERNANCE

The Company has, during the six months ended 31 December 2023, complied with the code provisions as set out in the Corporate Governance Code, Appendix C1 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 C3 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 2023, the Group had employed approximately 6,475 employees (30 June 2023: approximately 6,242 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 2024 of the Company containing all the information required by the Listing Rules will be dispatched to shareholders of the Company (if requested) and will be published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.topform.group) in due course.

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

Hong Kong, 22 February 2024

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. Wang Man Hon, Sidney as independent non-executive Directors.