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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 2021

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 2021 (the “Period”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 31 December 2021 – unaudited

		Six months ended	
		31 December	
		2021	2020
	<i>Note</i>	HK\$'000	HK\$'000
Revenue	3	713,652	638,724
Cost of sales		(585,595)	(517,073)
Gross profit		128,057	121,651
Other net income	4	10,009	45,717
Selling and distribution expenses		(18,761)	(34,985)
General and administrative expenses		(111,813)	(99,429)
Profit from operations		7,492	32,954

* For identification purpose only

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

For the six months ended 31 December 2021 – unaudited

		Six months ended	
		31 December	
		2021	2020
	Note	HK\$'000	HK\$'000
Profit from operations		7,492	32,954
Finance costs	5(a)	(3,042)	(2,919)
Share of profit of a joint venture		2,183	1,419
Share of profit of an associate		158	579
		<u> </u>	<u> </u>
Profit before taxation	5	6,791	32,033
Income tax expense	6	(2,382)	(2,727)
		<u> </u>	<u> </u>
Profit for the period		4,409	29,306
		<u> </u>	<u> </u>
Attributable to:			
Owners of the Company		450	24,699
Non-controlling interests		3,959	4,607
		<u> </u>	<u> </u>
Profit for the period		4,409	29,306
		<u> </u>	<u> </u>
Earnings per share (HK cents)	8		
Basic and diluted		0.15	11.49
		<u> </u>	<u> </u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2021 – unaudited

	Six months ended	
	31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	4,409	29,306
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of operations outside Hong Kong		
– subsidiaries	(5,200)	12,260
– a joint venture	1,133	1,967
– associates	(10)	–
Other comprehensive income for the period, net of income tax	(4,077)	14,227
Total comprehensive income for the period	332	43,533
Attributable to:		
Owners of the Company	(4,544)	38,922
Non-controlling interests	4,876	4,611
Total comprehensive income for the period	332	43,533

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021 – unaudited

		At 31 December 2021 <i>HK\$'000</i>	At 30 June 2021 <i>HK\$'000</i>
	<i>Note</i>		
Non-current assets			
Property, plant and equipment		205,356	205,577
Investment properties		164,713	161,821
Interest in a joint venture		28,189	27,465
Interest in associates		25,886	23,756
Other financial assets		2,838	2,838
Derivative financial instrument		1,402	1,402
Deferred tax assets		571	571
Prepayments and deposits		1,797	1,797
		430,752	425,227
		430,752	425,227
Current assets			
Inventories		270,701	255,868
Trade and other receivables	9	153,060	163,171
Bank balances and cash		102,896	92,217
		526,657	511,256
		526,657	511,256
Current liabilities			
Trade payables and accrued charges	10	259,477	261,720
Unsecured bank loans		106,601	87,980
Lease liabilities		14,382	13,087
Current tax payable		3,098	5,026
		383,558	367,813
		383,558	367,813
Net current assets		143,099	143,443
		143,099	143,443
Total assets less current liabilities		573,851	568,670
		573,851	568,670

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2021 – unaudited

	<i>Note</i>	At 31 December 2021 HK\$'000	At 30 June 2021 HK\$'000
Non-current liabilities			
Lease liabilities		20,242	16,504
Retirement benefit obligations		4,220	4,329
Deferred tax liabilities		37,497	36,618
Other payables		–	696
		61,959	58,147
		61,959	58,147
Net assets		511,892	510,523
Capital and reserves			
Share capital	<i>11</i>	147,940	147,940
Reserves		324,093	327,600
Equity attributable to owners of the Company		472,033	475,540
Non-controlling interests		39,859	34,983
Total equity		511,892	510,523

NOTES TO THE UNAUDITED INTERIM FINANCIAL RESULTS

For the six months ended 31 December 2021

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 2022.

The interim financial result has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements. The 2021 annual financial statements represent the consolidated financial statements for the year ended 30 June 2021, which was approved and authorised for issue by the board of directors on 14 September 2021. 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 2021 and 30 June 2021.

4 OTHER NET INCOME

	Six months ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
Gain on disposal of a property, net (<i>note (i)</i>)	–	27,868
Government grants (<i>note (ii)</i>)	105	10,755
Gross rental income from investment properties	6,343	5,285
Interest income	559	249
Sample income	338	757
Others	2,664	803
	<u>10,009</u>	<u>45,717</u>

Note:

- (i) During the six months ended 31 December 2021, no disposal of self-owned property (six months ended 31 December 2020, the Group disposed of a self-owned property with net book value of HK\$Nil to an independent third party at a consideration of HK\$28,000,000 resulting in a net gain on disposal of HK\$27,868,000 after netting off the related transaction costs).
- (ii) During the six months ended 31 December 2021, the Group received government grants of HK\$105,000 from the Mainland China (six months ended 31 December 2020: HK\$10,755,000 from the Mainland China and Hong Kong Government, of which HK\$6,667,000 represents funding support from the Employment Support Scheme under the Anti-epidemic Fund set up by the Hong Kong Government).

5 PROFIT BEFORE TAXATION

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

	Six months ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
(a) Finance costs		
Interest expense on bank borrowings	635	571
Interest on lease liabilities	501	631
Other bank charges	1,906	1,717
	<u>3,042</u>	<u>2,919</u>
(b) Other items		
Depreciation charge		
– property, plant and equipment	14,795	18,957
– right-of-use assets	7,983	7,604
Reversal of impairment loss on trade receivable	–	(2,226)
Allowance for obsolete inventories (included in cost of sales)	1,723	54
Net exchange loss/(gain)	3,587	(591)
Loss on disposal of property, plant and equipment, net	10	147
	<u>3,587</u>	<u>(591)</u>

6 INCOME TAX EXPENSE

	Six months ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
Current tax:		
Hong Kong Profits Tax	1,631	1,936
Other jurisdictions	598	71
	<u>2,229</u>	<u>2,007</u>
Over provision of Hong Kong Profits Tax in prior year	(4)	–
Deferred tax:		
Origination and reversal of temporary differences	157	720
	<u>2,382</u>	<u>2,727</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 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 period.

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 2020: HK\$Nil).

8 EARNING PER SHARE

(a) Basic earnings per share

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

	Six months ended 31 December	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit for the period attributable to the owners of the Company for the purpose of computing basic earnings per share	<u>450</u>	<u>24,699</u>
	Number of shares	Number of shares
Number of weighted average of ordinary shares for the purpose of computing basic earnings per share	<u>301,052,675</u>	<u>215,037,625</u>

On 19 February 2021, the Company completed a rights issue of 86,015,050 rights shares at the subscription price of HK\$0.50 per rights share on the basis of two rights shares for every five shares at the Company.

(b) Diluted earnings per share

Diluted earnings per share for the period ended 31 December 2021 is same as the basic earnings per share as the share options outstanding during the period had no dilutive effect on the basic earnings per share. There are no dilutive potential ordinary shares for both periods.

9 TRADE AND OTHER RECEIVABLES

	At 31 December 2021 <i>HK\$'000</i>	At 30 June 2021 <i>HK\$'000</i>
Trade receivables at amortised cost, net of loss allowance	74,742	72,079
Trade receivables to be factored at fair value through other comprehensive income (recycling)	42,369	60,176
Other receivables	<u>35,949</u>	<u>30,916</u>
	<u>153,060</u>	<u>163,171</u>

Included in the balance are trade receivables of HK\$117,111,000 (at 30 June 2021: HK\$132,255,000). 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 2021, 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 2021 <i>HK\$'000</i>	At 30 June 2021 <i>HK\$'000</i>
1 - 90 days	116,035	123,787
91 - 180 days	<u>1,076</u>	<u>8,468</u>
	<u>117,111</u>	<u>132,255</u>

There are HK\$5,367,000 (at 30 June 2021: HK\$630,700) undelivered finished goods which produced by an associate included in other receivables.

10 TRADE PAYABLES AND ACCRUED CHARGES

Included in the balance are trade payables of HK\$152,182,000 (at 30 June 2021: HK\$144,146,000). Other payables and accrued charges mainly represented accrued freight charges, salaries and other operating expenses. There are HK\$94,000 (at 30 June 2021: HK\$102,700) payable to an associate included in other payable.

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 2021 <i>HK\$'000</i>	At 30 June 2021 <i>HK\$'000</i>
Current	110,355	102,234
1 - 30 days past due	29,137	28,315
31 - 60 days past due	9,635	9,571
Over 60 days past due	3,055	4,026
	<u>152,182</u>	<u>144,146</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.

11 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

On 30 September 2019, 5,920,000 share options were granted for HK\$1 consideration to directors and employees of the Company under the Company's share option scheme adopted on 3 November 2011 (the "Old Share Option Scheme"). Upon completion of the rights issue, the number of total outstanding options granted under the Old Share Option Scheme was adjusted from 5,920,000 to 6,645,836 shares, 1,930,884 of which had lapsed subsequently; and the exercise price of the outstanding share options was adjusted from HK\$1.172 per share to HK\$1.044 per share. The outstanding 4,714,952 options will vest on 30 September 2022, and then be exercisable until 2024.

On 24 September 2021, 16,600,000 options were granted for HK\$1 consideration to directors, the directors' associate and employees of the Company under the Old Share Option Scheme of which no options had lapsed. These share options will vest on 24 September 2024, and then be exercisable until 2026. The exercise price is HK\$0.58, being the closing price of the Company's shares on the date of grant.

As at 31 December 2021, the total number of outstanding share options was 21,314,952 (representing approximately 7.08% of the issued shares of the Company as at 31 December 2021) and all outstanding options will continue to be valid and exercisable in accordance with the terms of Old Share Option Scheme. The Old Share Option Scheme was expired on 2 November 2021.

No options granted under the Old Share Option Scheme were exercised during the six months ended 31 December 2021 (2020: Nil).

The Company adopted a new share option scheme on 16 November 2021 (the "New Share Option Scheme"). Since the date of adoption and up to 31 December 2021, no share options were granted, exercised, cancelled or lapsed under the New Share Option Scheme.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first six months of this fiscal year, while COVID-19 surges were still prevalent globally most of the world adapted to a new normal, and demands in our markets rose to pre-pandemic levels. In this reporting period, demands for our products, from traditional cut-and-sewn to seamless technology products, remained very strong as our U.S. and European customers continued to place orders on innovative, comfortable and well fitted intimates that are suited for leisure and the work from home lifestyle, while distribution channels rushed to refill their depleted inventory impacted by the two-year long pandemic.

On the other hand, during this Period, Top Form managed an incredibly challenging operating environment in Asia and abroad to service the surging demand.

All of our factories in South East Asia experienced different levels of disruptions due to surges of the fast spreading Delta and subsequent Omicron variant. These disruptions included increase absenteeism from community lockdowns or illnesses, and intermittent requests by local governments to close production lines to limit the spread of COVID-19 in the community, all the while significant additional costs and resources were expended for regular testing, and isolation and containment requirements to keep our operations running. Additionally, over the past year, the spike in global demand has driven up global commodities prices which together with an assortment of interruptions that occurred in China made input material costs rise significantly. Furthermore, the well documented global supply chain crisis resulted in astronomical freight costs and substantially longer lead time in shipment from materials to finished products.

Despite the confluence of challenges presented, the Group's strategically diversified manufacturing network across China and South East Asia proved resilient and flexible during this crisis as we managed production between countries to avoid major disruption in service to our customers and thus resulted in a 12% year over year increase in sales while reducing our freight costs significantly as compared to the corresponding period last year.

During the Period, in monetary terms, 62% of sales were to the U.S. market, 20% to the EU and 18% to the rest of the world. From the supply side, the overseas manufacturing facilities in South East Asia accounted for 59% of the global production output whilst China accounted for the remaining 41% during the Period.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by 12% to HK\$713.6 million for the Period from HK\$638.7 million for the six months ended 31 December 2020. This increase in revenue was mainly driven by strong sales of seamless products and also recovery of sales to European customers.

Gross Profit

Gross profit increased to HK\$128.1 million for the Period from HK\$121.7 million in the last corresponding period with the gross profit margin decreased from 19.0% to 17.9%. The increase in gross profit was driven by higher sales while the drop in gross profit margin was due to higher manufacturing costs as a result of COVID related disruptions.

Other Net Income

Other net income decreased to HK\$10 million for the Period from HK\$45.7 million in the last corresponding period. The decrease was mainly attributable to the absence of approximately HK\$28 million one-off sales proceeds from the disposal of property in Hong Kong in previous financial year; and approximately HK\$6.7 million wage subsidies received by the Company's subsidiaries through Hong Kong Government's Employment Support Scheme 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 & distribution expenses amounted to HK\$18.8 million for the Period, against HK\$35.0 million for the six months ended 31 December 2020. 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\$111.8 million for the Period, against HK\$99.4 million for the six months ended 31 December 2020. 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 slightly from HK\$2.9 million for the six months ended 31 December 2020 to HK\$3 million for the Period. The increase in finance costs was primarily driven by the higher sales.

Profit for the Period

The Group recorded a net profit of HK\$4.4 million for the Period, as compared to a net profit of HK\$29.3 million in the corresponding period last year.

FINANCIAL POSITION

The Group's bank balances and cash stood at HK\$102.9 million (at 30 June 2021: HK\$92.2 million) whilst the total bank borrowings was HK\$106.6 million as at 31 December 2021 (at 30 June 2021: HK\$88 million) and the gearing ratio was 20.8% (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 31 December 2021, 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 2021, the cash conversion cycle days were 22 days as compared to 24 days for the year ended 30 June 2021.

	For the six months/year ended	
	31 December 2021	30 June 2021
	<i>(Days)</i>	<i>(Days)</i>
Inventory turnover days	83	67
Receivables turnover days	32	31
Payables turnover days	93	74
Cash conversion cycle days	22	24

The cash conversion cycle days decreased from 24 days to 22 days mainly driven by the longer payable days which was due to timing difference of actual payment at the end of the period. The longer payable days was partially offset by the longer inventory days which increased from 67 days to 83 days. The longer inventory turnover days was due to the global logistic turmoil which resulted in significant amount of finished goods pending container for shipment at the end of the period.

Capital expenditure during the Period amounted to HK\$13.8 million of which the majority was for capacity expansion in South East Asia.

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 2021, 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, actual use of the net proceeds and the remaining balance of unutilised proceeds as at 31 December 2021 are summarised as follows:

Use of proceeds	Intended use of proceeds <i>HK\$million</i>	Actual use of net proceeds as at 31 December 2021 <i>HK\$million</i>	Remaining balance of unutilised proceeds as at 31 December 2021 <i>HK\$million</i>
Purchase of santoni machines in Thailand	18.6	9.3	9.3
Increase of investment in an Indonesian company	12.9	–	12.9
Construction of the Myanmar factory facilities	6.4	6.4	–
General working capital	2.5	2.5	–
Total	40.4	18.2	22.2

The remaining balance of unutilised net proceeds of approximately HK\$22.2 million as at 31 December 2021 is expected to be utilised before end of December 2022 according to the intentions previously disclosed in the Prospectus.

OTHER INFORMATION

Loans to an associate

As at 31 December 2021, 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 announcement.

OUTLOOK AND FUTURE DEVELOPMENT

Over the past months, as vaccination rate rises across Asia and countries learned to manage the health impact brought on by COVID-19 the imposition of stringent lockdowns and restrictions have lessened while businesses are more practiced at managing through severe disruptions. Nevertheless, with the rampant Omicron variant now sweeping around the world, Top Form does not expect to be immune from the impact brought on by the virus in our operations and we are prepared that this chaotic situation will continue through the entire year.

As the markets that we serve continue to normalize in terms of logistics and consumer sentiments we are optimistic that despite the challenges ahead the foundation and strategy Top Form has laid over the past years will help us manage through this crisis positively and we will remain the preferred business partners to our current and potential future customers. In the immediate term, Top Form's focus will continue to be protecting our workforce, driving stability and improvements in our systems and processes while expanding our capacity in South East Asia in preparation for the opportunities in a post-crisis future.

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 2021.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 31 December 2021 (six months ended 31 December 2020: 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 2021 has been reviewed by the Audit Committee of the Company.

CORPORATE GOVERNANCE

The Company has, during the six months ended 31 December 2021, 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, the non-executive Directors should be appointed for a specific term, 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 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 2021, the Group had employed approximately 7,723 employees (30 June 2021: approximately 7,681 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 2022 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.topformbras.com, and will be dispatched to shareholders of the Company before the end of March 2022.

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

Hong Kong, 22 February 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.