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KINGMAKER FOOTWEAR HOLDINGS LIMITED

信星鞋業集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 01170)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

	For the six months ended		Change
	2022	2021	
	HK\$'000	HK\$'000	
Revenue	639,175	379,373	+68.5%
Gross profit/(loss)	57,285	(12,685)	N/A
Gross profit/(loss) margin	9.0%	-3.3%	+12.3 points
Profit/(loss) for the period attributable to equity holders of the Company	28,804	(15,462)	N/A
	(HK cents)	(HK cents)	
Basic earnings/(loss) per share	4.28	(2.30)	N/A
Proposed interim and special interim dividends			
Interim dividend per share	1.8	–	
Special interim dividend per share	0.5	2.0	
Total dividends per share for the period	<u>2.3</u>	<u>2.0</u>	+15.0%
<ul style="list-style-type: none"> Net cash and cash equivalents of approximately HK\$296.9 million 			

* For identification purposes only

UNAUDITED INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of Kingmaker Footwear Holdings Limited (the “Company”) is pleased to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2022, together with the comparative figures for the corresponding period in 2021 and the relevant explanatory notes as set out below. The condensed consolidated results are unaudited, but have been reviewed by the audit committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2022

		For the six months ended	
		30 September	
		2022	2021
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Revenue	2	639,175	379,373
Cost of sales		<u>(581,890)</u>	<u>(392,058)</u>
Gross profit/(loss)		57,285	(12,685)
Other income and gains/(loss), net		(5,538)	11,516
Distribution and selling expenses		(12,493)	(7,991)
Administrative expenses		(36,061)	(34,486)
Finance costs	3	(76)	(11)
Share of profits of associates		<u>17,490</u>	<u>18,280</u>
PROFIT/(LOSS) BEFORE TAX	4	20,607	(25,377)
Income tax credit	5	<u>8,472</u>	<u>7,939</u>
PROFIT/(LOSS) FOR THE PERIOD		<u>29,079</u>	<u>(17,438)</u>
ATTRIBUTABLE TO:			
Equity holders of the Company		28,804	(15,462)
Non-controlling interests		<u>275</u>	<u>(1,976)</u>
		<u>29,079</u>	<u>(17,438)</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

For the six months ended 30 September 2022

		For the six months ended	
		30 September	
		2022	2021
	<i>Notes</i>	(Unaudited)	(Unaudited)
EARNINGS/(LOSS) PER SHARE			
ATTRIBUTABLE TO EQUITY HOLDERS			
OF THE COMPANY:	<i>6</i>		
Basic		<u>HK4.28 cents</u>	<u>(HK2.30 cents)</u>
Diluted		<u>HK4.27 cents</u>	<u>(HK2.30 cents)</u>

Details of the dividends are disclosed in note 7 to the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2022

	For the six months ended 30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
PROFIT/(LOSS) FOR THE PERIOD	29,079	(17,438)
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Other comprehensive income/(expense) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	<u>(57,426)</u>	<u>9,557</u>
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD	(57,426)	9,557
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD	<u>(28,347)</u>	<u>(7,881)</u>
ATTRIBUTABLE TO:		
Equity holders of the Company	(28,622)	(5,905)
Non-controlling interests	<u>275</u>	<u>(1,976)</u>
	<u>(28,347)</u>	<u>(7,881)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

	As at	
	30 September	31 March
	2022	2022
	(Unaudited)	(Audited)
Notes	HK\$'000	HK\$'000
NON-CURRENT ASSETS		
Property, plant and equipment	163,062	172,992
Right-of-use assets	68,764	71,359
Investment properties	474,050	546,724
Investments in associates	81,463	63,973
Investments in club memberships	1,820	1,845
	<hr/>	<hr/>
Total non-current assets	789,159	856,893
	<hr/>	<hr/>
CURRENT ASSETS		
Inventories	179,062	209,008
Accounts receivable	252,360	213,523
Prepayments, deposits and other receivables	11,122	8,542
Due from an associate	64,705	64,705
Tax recoverable	275	233
Cash and cash equivalents	311,060	304,428
	<hr/>	<hr/>
Total current assets	818,584	800,439
	<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 September 2022

		As at	
		30 September	31 March
		2022	2022
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
CURRENT LIABILITIES			
Accounts payable	9	165,397	159,743
Accrued liabilities, other payables and contract liabilities		85,150	87,982
Bank borrowing		14,174	14,773
Lease liabilities		997	1,502
Tax payable		57,184	60,743
Total current liabilities		322,902	324,743
NET CURRENT ASSETS		495,682	475,696
TOTAL ASSETS LESS			
 CURRENT LIABILITIES		1,284,841	1,332,589
NON-CURRENT LIABILITIES			
Lease liabilities		2,015	2,569
Deposits received		6,264	6,937
Deferred tax liabilities		98,020	103,342
Total non-current liabilities		106,299	112,848
Net assets		1,178,542	1,219,741
EQUITY			
Equity attributable to equity holders of the Company			
Issued share capital		68,060	68,111
Reserves		1,101,294	1,142,717
		1,169,354	1,210,828
Non-controlling interests		9,188	8,913
Total equity		1,178,542	1,219,741

Notes:

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

These unaudited interim condensed consolidated financial information for the six months ended 30 September 2022 has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and Hong Kong Accounting Standard (“HKAS”) 34 “*Interim Financial Reporting*” issued by the Hong Kong Institute of Certified Public Accountants. These unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 March 2022.

The accounting policies adopted in the preparation of these interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s consolidated financial statements for the year ended 31 March 2022, except for adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) effective as of 1 April 2022.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The Group has assessed the adoption of the amendments and considered that there had no significant financial effect on the results and financial position of the Group for the current and prior accounting periods.

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their business activities and has two reportable operating segments as follows:

- (a) manufacturing and sale of footwear products; and
- (b) property investment.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that interest income, non-lease related finance costs and other unallocated income and gains/(losses), net and unallocated expenses are excluded from the measurement.

Segment assets exclude unallocated assets as these assets are managed on a group basis.

Segment liabilities exclude unallocated liabilities as these liabilities are managed on a group basis.

The following tables present revenue, results and certain assets, liabilities and expenditure information for the Group's operating segments for the six months ended 30 September 2022 and 2021.

	Manufacturing and sale of footwear products		Property investment		Consolidated	
	For the six months ended		For the six months ended		For the six months ended	
	30 September		30 September		30 September	
	2022	2021	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue						
Sales to external customers	<u>639,175</u>	<u>379,373</u>	<u>-</u>	<u>-</u>	<u>639,175</u>	<u>379,373</u>
Rental income	<u>-</u>	<u>-</u>	<u>14,174</u>	<u>10,759</u>	<u>14,174</u>	<u>10,759</u>

2. OPERATING SEGMENT INFORMATION (Continued)

	Manufacturing and sale of footwear products		Property investment		Consolidated	
	For the six months ended 30 September		For the six months ended 30 September		For the six months ended 30 September	
	2022	2021	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment results	<u>32,306</u>	<u>(29,286)</u>	<u>(9,081)</u>	<u>8,466</u>	<u>23,225</u>	<u>(20,820)</u>
Unallocated income and gains/(loss), net					117	(122)
Interest income					2,177	965
Unallocated expenses					(4,909)	(5,400)
Finance costs						
(Other than interest on lease liabilities)					(3)	–
Profit/(loss) before tax					20,607	(25,377)
Income tax credit					8,472	7,939
Profit/(loss) for the period					<u>29,079</u>	<u>(17,438)</u>

	Manufacturing and sale of footwear products		Property investment		Consolidated	
	30 September	31 March	30 September	31 March	30 September	31 March
	2022	2022	2022	2022	2022	2022
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets and liabilities						
Segment assets	817,866	802,955	474,051	546,724	1,291,917	1,349,679
Unallocated assets					315,826	307,653
Total assets					<u>1,607,743</u>	<u>1,657,332</u>
Segment liabilities	246,895	258,447	104,171	110,046	351,066	368,493
Unallocated liabilities					78,135	69,098
Total liabilities					<u>429,201</u>	<u>437,591</u>

3. FINANCE COSTS

	For the six months ended	
	30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans	3	–
Interest on lease liabilities	73	11
	<u>76</u>	<u>11</u>

4. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	For the six months ended	
	30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of inventories sold	390,529	241,016
Depreciation of property, plant and equipment	14,254	14,762
Depreciation of right-of-use assets	1,847	1,785
Amortisation of club memberships	25	20
Impairment of items of property, plant and equipment	–	1,554
Impairment allowance/(write-back) of accounts receivable	554	(1,542)
Fair value loss on revaluation of investment properties	21,492	1,018
Bank interest income	(2,176)	(925)
Interest income from accounts receivable	–	(40)

5. INCOME TAX

	For the six months ended	
	30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current		
– Elsewhere	(3,150)	(7,924)
Deferred	<u>(5,322)</u>	<u>(15)</u>
Total tax credit	<u><u>(8,472)</u></u>	<u><u>(7,939)</u></u>

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

6. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of the basic profit per share (six months ended 30 September 2021: basic loss per share) amount is based on the profit for the period attributable to equity holders of the Company of HK\$28,804,000 (six months ended 30 September 2021: loss of HK\$15,462,000), and the weighted average number of ordinary shares of 673,236,906 (six months ended 30 September 2021: 671,546,000) in issue during the period, as adjusted to reflect the number of shares of 6,303,000 (six months ended 30 September 2021: 9,238,000) held under the share award scheme of the Company.

**6. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY
(Continued)**

The calculation of the basic and diluted earnings/(loss) per share is based on the following data:

	For the six months ended	
	30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings/(loss)		
Profit/(loss) attributable to equity holders of the Company	28,804	(15,462)
	'000	'000
Shares		
Weighted average number of ordinary shares used in calculating the basic earnings/(loss) per share	673,237	671,546
Effect of dilution—weighted average number of ordinary shares:		
Share options	919	N/A
Share awards	27	N/A
Weighted average number of ordinary shares used in calculating the diluted earnings/(loss) per share	674,183	N/A

No adjustment had been made to the basic loss per share amount presented for the six months ended 30 September 2021 in respect of the potentially dilutive ordinary shares in issue during the period as the impact had an anti-dilutive effect on the basic loss per share amount presented.

7. DIVIDENDS

	For the six months ended	
	30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Dividends paid during the period		
Special final in respect of the financial year ended 31 March 2022		
– HK2.0 cents (2021: HK1.3 cents) per ordinary share	13,486	8,740
Final in respect of the financial year ended 31 March 2022		
– Nil (2021: HK1.5 cents) per ordinary share	–	10,084
	<u>13,486</u>	<u>18,824</u>
Proposed interim and special interim dividends		
Interim – HK\$1.8 cents (2021: Nil) per ordinary share	12,251	–
Special interim – HK0.5 cent (2021: HK2.0 cents) per ordinary share	3,403	13,631
	<u>15,654</u>	<u>13,631</u>

The interim and special interim dividends were declared after the period ended 30 September 2022, and therefore have not been included as a liability in the condensed consolidated statement of financial position. The interim and special interim dividends will be paid to the shareholders whose names appear in the register of members on 18 January 2023.

8. ACCOUNTS RECEIVABLE

The Group's accounts receivable mainly relate to a few recognised and creditworthy customers. Payment terms with customers are largely on credit. Invoices are normally payable within 30 to 90 days of issuance. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are regularly reviewed by the Group's senior management.

8. ACCOUNTS RECEIVABLE (Continued)

An ageing analysis of the accounts receivable as at the end of reporting period, based on the date of goods delivered, is as follows:

	As at	
	30 September	31 March
	2022	2022
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Within 90 days	250,505	207,916
Between 91 and 180 days	1,484	5,341
Between 181 and 365 days	371	266
	<u>252,360</u>	<u>213,523</u>

9. ACCOUNTS PAYABLE

An ageing analysis of the accounts payable as at the end of reporting period, based on the date of goods received, is as follows:

	As at	
	30 September	31 March
	2022	2022
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Within 90 days	107,459	108,500
Between 91 and 180 days	45,716	39,521
Between 181 and 365 days	638	4
Over 365 days	11,584	11,718
	<u>165,397</u>	<u>159,743</u>

The accounts payable are non-interest-bearing and are normally settled on 90-day terms.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

The Group's performance in the six months ended 30 September 2022 (the "Period") underscored a general recovery of the global footwear retail sector amid an easing of COVID-19 restrictions across Europe, North America and some Asian markets. This has brought about a resilient order book for the Group, which was met by uninterrupted production throughout the Period, driving shipment volume growth and restoring capacity utilization to higher levels.

By comparison, during the corresponding period in 2021, the factory located at Thuan An in Binh Duong Province, southern Vietnam, was required to halt production for 3 months from mid-July onwards due to a local outbreak of COVID-19 cases. Orders fulfillment and output were severely affected during that time.

Against this background, the Group delivered a set of robust results in the first half of the financial year 2022/23 in line with expectations. However, the management is alert to the increasing geopolitical tensions which have added new challenges to the business environment, accelerating pre-existing trends in global inflation and economic uncertainty. The Group will continue to guard its operations against these unprecedented challenges ahead.

Revenue

The Group reported a 68.5% year-on-year growth in revenue to approximately HK\$639.2 million for the Period (2021: approximately HK\$379 million) on the back of a strong order pipeline and uninterrupted fulfillment. Shipment volume grew 41.8% and the average selling price ("ASP") also rose by 16.2% year on year.

Gross Profit/Loss

With the support of a solid order book, the Group achieved a higher capacity utilization rate, hence yielding efficiency improvements during the Period. A gross profit of approximately HK\$57.3 million (2021: gross loss of approximately HK\$13 million) was produced, mainly attributable to:

- (i) economies of scale achieved on higher shipment volume and capacity utilization;

- (ii) ASP improvement as a result of the Group's margin-accretive strategy to enhance the revenue portfolio;
- (iii) cost-mitigating measures and stabilized manufacturing operations driving down cost-to-revenue ratios;
- (iv) non-recurrence of pandemic-induced expenses; and
- (v) the offsetting of upstream supply-chain and logistics cost inflation as the Group was able to pass on such increases.

As the Group actively managed its clientele portfolio with a focus on higher-margin products, a gross profit margin of 9.0% was yielded for the Period (2021: -3.3%).

Net Profit/Loss

The Group returned to net earnings during the Period, registering a net profit attributable to equity holders of the Company of approximately HK\$28.8 million (2021: net loss of approximately HK\$15 million). In addition to the gross profit posted, the net profit also took into account:

- (i) the share of profit of associates of approximately HK\$17.5 million (2021: approximately HK\$18 million) contributed by the Group's associated company operating in central Vietnam;

and was partially offset by:

- (i) the fair value loss of approximately HK\$21.5 million for the Period (2021: loss of HK\$1 million) on revaluation of the Group's investment properties in Hong Kong and mainland China.

Key Financial Ratios

The Group maintained stable financial ratios during the Period:

- Debtors' turnover decreased from 70 days for the six months ended 30 September 2021 to 66 days for the Period;

- Creditors' turnover increased from 79 days to 81 days;
- Stock turnover was 89 days (2021: 119 days);
- A healthy liquidity position with net cash in hand of approximately HK\$296.9 million as at 30 September 2022 (31 March 2022: approximately HK\$290 million); and
- Current and quick ratios were 2.5 and 2.0 respectively (2021: 3.3 and 2.5 respectively).

Interim and Special Interim Dividends

With dedicated efforts to prudently manage working capital, the Company was able to maintain a stable financial position. In view of this and to share results with shareholders, the Board has resolved to declare an interim dividend of HK1.8 cents (2021: Nil) per ordinary share and a special interim dividend of HK0.5 cent per ordinary share (2021: HK2.0 cents).

OPERATIONAL PERFORMANCE

The post-COVID-19 retail rebound in North America and Europe coincided with interest rate hikes intended to slow inflation, as well as geopolitical events in 2022, sending mixed economic signals to businesses and individual consumers.

For the footwear industry, major export markets saw a positive start this year as COVID-19 restrictions began to relax. There was thus a broad-based demand growth in most consumer markets during the first part of this year.

Bolstered by solid recovery in market demand and increased consumer focus on health and wellness, the Group achieved an overall shipment growth during the Period with the rugged-shoe category continuing to be a bright spot in the portfolio. The Group was also able to drive ASP improvements as it continued to prioritize quality business growth and margin accretion.

Manufacturing Business

Maintaining geographic diversity, the Group operates two core manufacturing sites in southern Vietnam and Cambodia, both equipped with research and development (“R&D”) facilities. A supplementary R&D center is in operation in Zhuhai, mainland China. In addition, the Group holds a 40% interest in a joint-venture factory in central Vietnam.

As at 30 September 2022, the Group had a combined production scale of 30 processing lines, mostly under the concept-line setup. They contributed an annual capacity of about 8.7 million pairs of footwear, and were 83.3% utilized in the Period (2021: 78.6%).

In southern Vietnam, there were 16 concept lines and 4 traditional lines in operation. Coupled with the 10 concept lines the Group had in Cambodia, this robust and multi-location production platform enables the Group to provide capacity with flexibility to meet clients’ sourcing plans in terms of country of manufacture.

The geographical distribution of markets continued to be demand-led, while at the same time, the Group supports clients’ initiatives to develop markets with promising prospects. During the Period, contribution from the United States remained robust, generating 42.2% (2021: 41.4%) of the Group’s revenue. Europe’s proportionate contribution stood at 27.6% (2021: 27.1%), and shipments to other markets, including Asia and other areas, accounted for 30.2% (2021: 31.5%).

The rugged-shoe category delivered an impressive performance during the Period, with shipment volume exceeding pre-pandemic levels, contributing 72.2% (2021: 65.4%) of total revenue. Despite the strong sales expansion of rugged shoes, the proportionate contribution of premium casual footwear increased to 14.2% (2021: 11.4%). Revenue generated by babies’ and children’s footwear decreased proportionately to 13.6% (2021: 23.2%).

In line with its strategy to pursue value growth, the Group has been more selective in terms of clientele portfolio management and new business development. Major customers for the Period included Cat, Chaco, Dr. Martens, Merrell and Wolverine; which in aggregate contributed 96.0% (2021: 96.2%) of total revenue. The Group has continued to actively develop business with brands that offer sustainable growth prospects.

Key developments in the Group's production centers are summarized below:

Southern Vietnam

The southern Vietnam manufacturing site holds a portfolio of facilities in operation, premises ready for equipment installation, and land for future expansion, which will enable the Group to fulfill existing demand and ready it to capture future growth opportunities.

This location remained a core manufacturing site for the Group. It achieved a speedy recovery after the three-month COVID-19-induced halt in 2021, and production has remained uninterrupted throughout the Period. On the back of a robust order pipeline during the Period, this location returned to high utilization with its contribution to total volume output rebounding to 61.3% (2021: 55.0%).

Cambodia

With the support of local government authorities, the Group has furthered its foothold in this major footwear manufacturing country for the world.

During the Period, the Cambodia site contributed 38.7% (2021: 45.0%) of total output in pairs. Benefiting from this location's further maturity in capacity and efficiency, both volume and value growth were achieved. Supported by a robust order pipeline, the Cambodia center is set to grow into a more important manufacturing location for the Group.

Mainland China

All of the Group's manufacturing activity in mainland China has been discontinued and relocated to other Asian centers. In order to facilitate the development requirements of some clients, an R&D center was maintained in Zhuhai, staffed by a lean workforce. The Group will continue to monitor its utilization and proactively consider adjustments to the R&D offerings at this site as deemed appropriate.

With the exception of the R&D center, the Zhuhai plant was leased out and continued to generate a stable stream of recurrent rental income for the Group. The Board will keep a close watch on the local business environment, and will work with the tenant to respond to the property market trends.

Investment in Associates

The Group holds a 40% interest in an associated company jointly owned with Evervan Group (“Evervan”) in central Vietnam. Evervan is a leading athletic footwear manufacturer for international markets.

The associated company operated a total of 23 lines as at the Period-end date. It is mainly engaged in production for world-leading footwear brands Crocs and Columbia.

The associated company recorded a revenue of approximately HK\$522.3 million (2021: approximately HK\$457 million) during the Period, a growth of 14.3% year on year. It contributed to the Group a share of profit of associates of approximately HK\$17.5 million (2021: approximately HK\$18 million).

As uncertainty in the macroeconomic environment persists, the associated company will take a more cautious stance towards capacity management and business development in the second half of the financial year 2022/23. Nevertheless, given the strong background and expertise of Evervan, the Board is confident of the long-term prospects of this joint-venture operation.

Investment Properties

Depending on the Group’s business needs and capacity planning, certain self-owned factories and office properties may not be fully utilized at times. The Board regularly considers these properties’ sales or leasing options and potential in order to create returns on these assets. This will help the Group make good use of idle properties, realize the investment value of its assets, and generate additional stable income to enhance working capital.

During the Period, the portfolio of assets classified as investment properties was all leased out, yielding gross rental income of approximately HK\$14.2 million (2021: approximately HK\$10.8 million). The Board considers that the portfolio is currently generating a steady stream of recurrent income. It will regularly review this asset base and examine options available with a view to creating greater long-term value for shareholders.

Talent Development and Leadership Succession

The Group nurtures and maintains a staff team which brings to various business units a wide array of specialist skills. They are committed to helping clients thrive as the Group builds a world-class business that can share in its clients' success. To acquire and retain talents, the Group offers competitive compensation packages, with a share option scheme and a share award scheme as further incentives and rewards to eligible participants who contribute to the success of the Group.

The highly capable management team has consistently met unprecedented challenges with dedication and resolve. With the team's strong leadership and crisis management capabilities, the Group has navigated its way across very difficult operating terrain over the past few years.

Localization is also important for the long-term development of the Group's manufacturing locations, and dedicated efforts have been expended in building up local management teams. The encouraging performance of the operations in Vietnam and Cambodia stands testimony to the increasing maturity of the local teams.

The independent non-executive directors ("INED") of the Board play an important role in the corporate governance of the Company. They provide an external and independent view on the Group's business and governance matters. As part of the Company's ongoing effort to enhance corporate governance standards, the Board regularly reviews its composition, specifically in terms of director independence and diversity, facilitated by the appointment of INEDs as and when appropriate.

FUTURE PLANS AND PROSPECTS

The Group remains cautiously optimistic about its full-year results as it continues to work through a mix of headwinds in the macroeconomic environment. Interest rate hikes and rising inflation will slow demand growth, compelling footwear brands to deal with heavier inventories and subsequently to adopt a more cautious procurement strategy for the near term. The Group's second-half orders are thus expected to moderate to some extent with lower visibility in the business pipeline.

As discussed in the annual report for the year ended 31 March 2022, the Group has adopted a business strategy that focuses on six strategic action areas, with a view to enhancing revenue portfolio, undertaking active capacity planning on a cross-location platform, pursuing operational excellence, mitigating cost inflation, nurturing talent, and maintaining resilience and sustainability.

In anticipation of more frequent disruptions in the operating landscape, the Group will pay particular attention to assuring manufacturing resilience. As such, it will carefully plan its workforce deployment and raw materials procurement, and has renewed its crisis mechanisms at different operating levels. With stabilized operations, the Group will be able to deliver on its service promise to clients, and to derive higher efficiency from production.

At the same time, the Group will persist with a conservative cashflow management policy, and continue to implement strict cost controls, in order to sustain financial strength amid the macroeconomic uncertainties.

Business development remains a key task for management. With product R&D work currently underway for several footwear brands, the Group looks forward to establishing new income avenues to strengthen its revenue portfolio.

Overall, the Group is performing in line with expectations on the premise of solid fundamentals. It has also adopted a set of growth strategies to align ongoing business development efforts with its unique capabilities, and thus remains confident of the Group's long-term prospects.

Appreciation

I would like to thank my fellow directors, senior management and staff members for their dedication and diligence. The support of our business partners, clients and shareholders is also much appreciated.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operation by internally generated cashflow and banking facilities provided by its bankers.

Prudent financial management and selective investment criteria have enabled the Group to maintain a strong financial position. As at 30 September 2022, the Group's cash and cash equivalents were approximately HK\$311.1 million (as at 31 March 2022: approximately HK\$304 million) and total bank borrowings, which were denominated in Vietnamese Dong with interest free, were approximately HK\$14.2 million (31 March 2022: HK\$15 million). The Group's gearing ratio (total bank borrowings to total equity) was approximately 1.2% (31 March 2022: 1.2%). As at 30 September 2022, the Group had net cash and cash equivalents of approximately HK\$296.9 million (31 March 2022: approximately HK\$290 million).

As at 30 September 2022, the Group had banking facilities amounted to an aggregate sum of approximately HK\$54.2 million (as at 31 March 2022: approximately HK\$55 million) with various banks. Out of the trade and overdraft banking facilities of approximately HK\$40.0 million (as at 31 March 2022: approximately HK\$40 million) in Hong Kong being granted to the Group, the Group had not utilized the banking facilities and did not have any interest-bearing bank borrowings as at 30 September 2022 (as at 31 March 2022: Nil).

As at 30 September 2022, the current ratio was approximately 2.5 (as at 31 March 2022: approximately 2.5) based on current assets of approximately HK\$818.6 million and current liabilities of approximately HK\$322.9 million and the quick ratio was approximately 2.0 (as at 31 March 2022: approximately 1.8).

The Group will continue to maintain conservative cash flow management to sustain a strong cash position. Having considered the major expansion plans of the Group, including Vietnam and Cambodia in the next two to three years, the Directors are of the opinion that the Group has adequate liquidity to meet its current and future working capital requirements on its operations and expansion.

FOREIGN EXCHANGE RISK MANAGEMENT

Most of the Group's assets and liabilities, revenue and expenditure are denominated in Hong Kong dollars, the Renminbi, the Vietnamese Dong and the US dollars. It is the Group's policy to adopt a conservative approach on foreign exchange exposure management.

However, the Group will continue to monitor its foreign exchange exposure and market conditions to determine if any hedging is required. The Group generally finances its operation with internal resources and bank facilities provided by banks in Hong Kong. Interest rates of borrowings are fixed by reference to the Hong Kong Inter-Bank Offered Rate or the London Inter-Bank Offered Rate.

The Group's treasury policies are designed to mitigate the impact of fluctuations in foreign currency exchange rates arising from the Group's global operations and to minimise the Group's financial risks. As a measure of additional prudence, the Group cautiously uses derivatives financial instruments, principally forward currency contracts as appropriate for risk management purposes only, for hedging transactions and for managing the Group's receivables and payables.

The exposure to foreign currency of the Group mainly arose from the net cash flows and the net working capital translation of its PRC and Vietnam subsidiaries. The management of the Group will hedge the foreign currency exposures through natural hedges, forward contracts and options, if consider necessary. The management of currency risk is centralised in the headquarters of the Group in Hong Kong.

CAPITAL STRUCTURE

Shareholders' equity decreased to approximately HK\$1,169.4 million as at 30 September 2022 (as at 31 March 2022: approximately HK\$1,211 million).

INTERIM AND SPECIAL INTERIM DIVIDENDS

On 29 November 2022, the Board has resolved to declare the payment of an interim dividend of HK1.8 cents per ordinary share and a special interim dividend of HK0.5 cent per ordinary share in respect of the six months ended 30 September 2022 to shareholders registered on the register of members on Wednesday, 18 January 2023, resulting in an appropriation of approximately HK\$15.6 million. The interim and special interim dividends will be payable on or about 7 February 2023.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 16 January 2023 to Wednesday, 18 January 2023, both days inclusive, during which period no transfer of shares shall be effected. In order to qualify for the interim and special interim dividends, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Friday, 13 January 2023.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the six months ended 30 September 2022, the Company repurchased 1,446,000 of its ordinary shares of HK\$0.10 each on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate consideration of approximately HK\$1,553,000 excluding transaction cost and 1,446,000 repurchased ordinary shares were cancelled during the period. The repurchase of the Company's shares during the period was effected by the Board, pursuant to the repurchase mandate granted by the shareholders, with a view to benefit shareholders as a whole by enhancing the net asset value per share and earnings per share of the Company.

Details of the shares repurchase during the period under review are as follows:

Month/year	Number of shares repurchased	Highest price per share <i>HK\$</i>	Lowest price per share <i>HK\$</i>	Aggregated consideration (excluding transaction cost) <i>HK\$'000</i>
April 2022	1,336,000	1.11	1.03	1,449
August 2022	<u>110,000</u>	0.96	0.95	<u>104</u>
Total	<u><u>1,446,000</u></u>			<u><u>1,553</u></u>

The premium paid on the repurchased and cancelled shares of approximately HK\$1,408,000 has been debited to the share premium account during the six months ended 30 September 2022. An amount equivalent to the par value of the shares cancelled has been transferred from the retained profits of the Company to the capital redemption reserve.

Except as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period.

EMPLOYMENT AND REMUNERATION POLICIES

The Group, including its subsidiaries in Hong Kong, Taiwan, the PRC, Vietnam and Cambodia had a total number of employees of approximately 8,000 as at 30 September 2022 (30 September 2021: approximately 7,800). The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the respective companies and individuals concerned. Awarded shares and share options may also be granted in accordance to the terms of the Group's approved share award scheme and share option scheme.

The trustee of the Company's share award scheme adopted on 26 June 2019 (the "Share Award Scheme") did not make any purchase of shares during the Period. For the six months ended 30 September 2022, 1,495,000 shares have been awarded under the Share Award Scheme for the Period. As at 30 September 2022, the trustee of the Share Award Scheme held a total of 6,303,000 shares of the Company and no shares have been awarded to any selected participants pursuant to the Share Award Scheme.

On 29 August 2011, the Company adopted a share option scheme which had expired on 28 August 2021. In order to ensure continuity of a share option scheme for the Company, the shareholders of the Company passed an ordinary resolution at the annual general meeting of the Company held on 26 August 2022 to approve the adoption of a new share option scheme (the "New Share Option Scheme"). The New Share Option Scheme became effective following the grant of a listing approval by the Stock Exchange on 30 August 2022. For the six months ended 30 September 2022, no share options have been granted under the New Share Option Scheme.

CORPORATE GOVERNANCE

None of the Directors is aware of any information which would reasonably indicate that the Company is not, or was not, during the six months ended 30 September 2022, in compliance with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange.

AUDIT COMMITTEE

The audit committee of the Company (the "Committee") comprises three independent non-executive Directors and one non-executive Director. The primary duties of the Committee are to review and supervise the Group's financial reporting process and internal control systems.

The Committee has reviewed with the management, the accounting principles and practices adopted by the Group and discussed the Group's auditing, internal control and financial reporting matters during the Period. The Group's unaudited interim condensed consolidated financial information for the six months ended 30 September 2022 has been reviewed by the Committee, which was of the opinion that the preparation of such financial information complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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 as its code of conduct regarding Directors’ securities transactions. Having made specific enquiry of all Directors, the Directors have confirmed their compliance with the required standard set out in the Model Code during the six months ended 30 September 2022.

PUBLICATION OF INTERIM REPORT

The interim report containing all the information required by Appendix 16 to the Listing Rules will be dispatched to the shareholders of the Company and available on the websites of the Stock Exchange at <http://www.hkex.com.hk> and the Company at <http://www.irasia.com/listco/hk/kingmaker/interim/index.htm> in due course.

On behalf of the Board
Mdm. HUANG Hsiu-duan, Helen
Chairman

Hong Kong, 29 November 2022

As of the date of this announcement, the Board consists of three executive Directors, namely, Mdm. HUANG Hsiu-duan, Helen, Mr. WONG Hei-chiu and Mr. CHEN Yi-wu, Ares; three non-executive Directors, namely, Mr. CHAN Ho-man, Daniel, Mr. KIMMEL, Phillip Brian and Dr. CHOW Wing-kin, Anthony; and three independent non-executive Directors, namely Mr. TAM King-ching, Kenny, Mr. YUNG Tse-kwong, Steven and Ms. CHAN Mei-bo, Mabel.