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**KAM HING INTERNATIONAL HOLDINGS LIMITED**  
**錦興國際控股有限公司**  
*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 02307)**

**INTERIM RESULTS ANNOUNCEMENT FOR  
THE SIX MONTHS ENDED 30 JUNE 2023**

The board (the “Board”) of directors (the “Directors”) of Kam Hing International Holdings Limited (the “Company”) hereby announces the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2023 (the “Period”), together with the comparative figures for the corresponding period in 2022, as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*For the six months ended 30 June 2023*

	<i>Notes</i>	<b>Six months ended 30 June 2023 HK\$'000 (Unaudited)</b>	<b>Six months ended 30 June 2022 HK\$'000 (Unaudited)</b>
<b>REVENUE</b>	2, 3	<b>1,721,370</b>	2,281,135
Cost of sales		<u><b>(1,567,512)</b></u>	<u>(2,049,686)</u>
Gross profit		<b>153,858</b>	231,449
Other income and gains, net	3	<b>40,727</b>	24,418
Selling and distribution expenses		<b>(46,747)</b>	(62,990)
Write-back of impairment losses on financial assets, net		<b>3,109</b>	2,112
Administrative expenses		<b>(157,321)</b>	(157,532)
Other operating income, net		<b>38,712</b>	22,414
Finance costs		<u><b>(45,946)</b></u>	<u>(21,336)</u>

		<b>Six months ended 30 June 2023</b>	Six months ended 30 June 2022
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>(LOSS)/PROFIT BEFORE TAX</b>	4	<b>(13,608)</b>	38,535
Income tax expense	5	<u><b>(11,629)</b></u>	<u>(6,518)</u>
<b>(LOSS)/PROFIT FOR THE PERIOD</b>		<u><b>(25,237)</b></u>	<u>32,017</u>
Attributable to:			
Ordinary equity holders of the Company		<b>(24,726)</b>	29,453
Non-controlling interests		<u><b>(511)</b></u>	<u>2,564</u>
		<u><b>(25,237)</b></u>	<u>32,017</u>
Interim dividend	6	<u><b>Nil</b></u>	<u>Nil</u>
<b>(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			
Basic	7	<u><b>HK(2.8) cents</b></u>	<u>HK3.4 cents</u>
Diluted	7	<u><b>HK(2.8) cents</b></u>	<u>HK3.4 cents</u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	<b>Six months ended 30 June 2023 HK\$'000 (Unaudited)</b>	Six months ended 30 June 2022 HK\$'000 (Unaudited)
<b>(LOSS)/PROFIT FOR THE PERIOD</b>	<b>(25,237)</b>	32,017
<b>OTHER COMPREHENSIVE EXPENSES</b>		
Other comprehensive expenses may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	<u>(131,974)</u>	<u>(154,445)</u>
<b>TOTAL COMPREHENSIVE EXPENSES FOR THE PERIOD</b>	<b><u>(157,211)</u></b>	<b><u>(122,428)</u></b>
Attributable to:		
Ordinary equity holders of the Company	<b>(156,700)</b>	(123,941)
Non-controlling interests	<u>(511)</u>	<u>1,513</u>
	<b><u>(157,211)</u></b>	<b><u>(122,428)</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2023*

	<b>30 June</b>	31 December
	<b>2023</b>	2022
<i>Note</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	<b>976,287</b>	1,135,129
Right-of-use assets	<b>207,624</b>	223,752
Interests in associates	<b>907</b>	1,835
Prepayments	<b>4,696</b>	5,110
Long-term receivables	<b>37,761</b>	37,175
Deposits paid	<b>22,892</b>	14,724
Deferred tax assets	<b>30,744</b>	31,888
	<b>1,280,911</b>	1,449,613
<b>CURRENT ASSETS</b>		
Properties under development	<b>53,674</b>	56,114
Inventories	<b>862,239</b>	826,214
Accounts and bills receivables	<b>508,787</b>	561,529
Prepayments, deposits and other receivables	<b>89,483</b>	64,639
Financial asset at fair value through profit or loss	<b>235</b>	556
Tax recoverable	<b>2,788</b>	2,991
Pledged deposits	<b>155,782</b>	37,788
Cash and cash equivalents	<b>1,327,164</b>	1,074,555
	<b>3,000,152</b>	2,624,386

		<b>30 June</b>	31 December
		<b>2023</b>	2022
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>CURRENT LIABILITIES</b>			
Accounts and bills payables	9	500,136	436,470
Accrued liabilities and other payables		147,449	208,597
Due to an associate		947	947
Tax payable		3,713	3,877
Interest-bearing bank borrowings		1,192,333	495,578
Lease liabilities		6,201	6,639
		<hr/>	<hr/>
Total current liabilities		1,850,779	1,152,108
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		1,149,373	1,472,278
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS</b>			
<b>CURRENT LIABILITIES</b>		2,430,284	2,921,891
		<hr/>	<hr/>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings		644,474	966,688
Lease liabilities		21,091	32,937
Deferred tax liabilities		4,235	4,617
		<hr/>	<hr/>
Total non-current liabilities		669,800	1,004,242
		<hr/>	<hr/>
Net assets		1,760,484	1,917,649
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
<b>Equity attributable to ordinary equity holders of the Company</b>			
Issued capital		86,992	86,992
Reserves		1,669,553	1,826,207
		<hr/>	<hr/>
		1,756,545	1,913,199
<b>Non-controlling interests</b>		3,939	4,450
		<hr/>	<hr/>
Total equity		1,760,484	1,917,649
		<hr/> <hr/>	<hr/> <hr/>

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1.1 BASIS OF PRESENTATION

The interim condensed consolidated financial statements for the six months ended 30 June 2023 have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and with the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”). These condensed consolidated financial statements are unaudited but have been reviewed by the Company’s audit committee.

### 1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the Period’s financial information.

Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

The nature and impact of the new and revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.
- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022. The amendments did not have any impact to the Group.
- (d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Cooperation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. The Group is currently assessing its exposure to Pillar Two income taxes.

## 2. OPERATING SEGMENT INFORMATION

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

- (a) the fabric segment engages in the production and sale of knitted fabric and dyed yarn;
- (b) the garment segment engages in the production and sale of garment products and provision of related subcontracting services; and
- (c) the “others” segment includes the provision of sewage treatment services, the provision of air and ocean freight handling services and property development.

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.

Intersegment revenue and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.



	<b>Fabric</b> <i>HK\$'000</i>	<b>Garment</b> <i>HK\$'000</i>	<b>Others</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>Six months ended 30 June 2023</b>				
<b>(Unaudited)</b>				
<b>Segment revenue:</b>				
Revenue from external customers	1,452,181	269,189	–	1,721,370
Intersegment sales	59,267	298	–	59,565
	<u>1,511,448</u>	<u>269,487</u>	<u>–</u>	<u>1,780,935</u>
Elimination of intersegment sales				<u>(59,565)</u>
				<u><u>1,721,370</u></u>
Segment profit/(loss)	9,851	8,930	(781)	18,000
Bank interest income	14,505	299	20	14,824
Finance costs (other than interest on lease liabilities)	(45,545)	–	–	(45,545)
Share of loss of an associate	–	(887)	–	(887)
	<u>(21,189)</u>	<u>8,342</u>	<u>(761)</u>	<u>(13,608)</u>
<b>Profit/(loss) before tax</b>	<b>(21,189)</b>	<b>8,342</b>	<b>(761)</b>	<b>(13,608)</b>
Income tax (expense)/credit	(11,672)	(2)	45	(11,629)
	<u>(32,861)</u>	<u>8,340</u>	<u>(716)</u>	<u>(25,237)</u>
	<u><u>(32,861)</u></u>	<u><u>8,340</u></u>	<u><u>(716)</u></u>	<u><u>(25,237)</u></u>
<b>As at 30 June 2023 (Unaudited)</b>				
<b>Assets and liabilities</b>				
Segment assets	3,610,750	508,899	129,763	4,249,412
Interest in associates	–	907	–	907
Deferred tax assets	7,225	–	23,519	30,744
	<u>3,617,975</u>	<u>509,806</u>	<u>153,282</u>	<u>4,281,063</u>
<b>Total assets</b>	<b><u>3,617,975</u></b>	<b><u>509,806</u></b>	<b><u>153,282</u></b>	<b><u>4,281,063</u></b>
Segment liabilities	2,454,344	55,720	6,280	2,516,344
Deferred tax liabilities	–	–	4,235	4,235
	<u>2,454,344</u>	<u>55,720</u>	<u>10,515</u>	<u>2,520,579</u>
<b>Total liabilities</b>	<b><u>2,454,344</u></b>	<b><u>55,720</u></b>	<b><u>10,515</u></b>	<b><u>2,520,579</u></b>
<b>Other segment information:</b>				
<b>Six months ended 30 June 2023</b>				
<b>(Unaudited)</b>				
Depreciation of property, plant and equipment	149,516	3,052	2,035	154,603
Depreciation of right-of-use assets	4,610	1,564	299	6,473
Capital expenditure	36,840	1,224	779	38,843
	<u>149,516</u>	<u>3,052</u>	<u>2,035</u>	<u>154,603</u>
	<u>4,610</u>	<u>1,564</u>	<u>299</u>	<u>6,473</u>
	<u>36,840</u>	<u>1,224</u>	<u>779</u>	<u>38,843</u>

	Fabric HK\$ '000	Garment HK\$ '000	Others HK\$ '000	Total HK\$ '000
<b>Six months ended 30 June 2022</b>				
<b>(Unaudited)</b>				
<b>Segment revenue:</b>				
Revenue from external customers	1,899,981	381,154	–	2,281,135
Intersegment sales	72,718	–	–	72,718
	<u>1,972,699</u>	<u>381,154</u>	<u>–</u>	<u>2,353,853</u>
Elimination of intersegment sales				<u>(72,718)</u>
				<u>2,281,135</u>
Segment profit/(loss)	44,145	15,721	(999)	58,867
Bank interest income	844	27	11	882
Finance costs (other than interest on lease liabilities)	(20,491)	–	–	(20,491)
Share of loss of an associate	–	(723)	–	(723)
	<u>24,498</u>	<u>15,025</u>	<u>(988)</u>	<u>38,535</u>
<b>Profit/(loss) before tax</b>	<b>24,498</b>	<b>15,025</b>	<b>(988)</b>	<b>38,535</b>
Income tax (expense)/credit	(3,970)	(2,750)	202	(6,518)
	<u>20,528</u>	<u>12,275</u>	<u>(786)</u>	<u>32,017</u>
<b>Profit/(loss) for the period</b>	<b>20,528</b>	<b>12,275</b>	<b>(786)</b>	<b>32,017</b>
<b>As at 31 December 2022</b>				
<b>(Audited)</b>				
<b>Assets and liabilities</b>				
Segment assets	3,452,425	471,523	116,328	4,040,276
Interest in associates	–	1,835	–	1,835
Deferred tax assets	7,300	–	24,588	31,888
	<u>3,459,725</u>	<u>473,358</u>	<u>140,916</u>	<u>4,073,999</u>
Total assets	<u>3,459,725</u>	<u>473,358</u>	<u>140,916</u>	<u>4,073,999</u>
Segment liabilities	2,068,894	77,541	5,298	2,151,733
Deferred tax liabilities	–	–	4,617	4,617
	<u>2,068,894</u>	<u>77,541</u>	<u>9,915</u>	<u>2,156,350</u>
Total liabilities	<u>2,068,894</u>	<u>77,541</u>	<u>9,915</u>	<u>2,156,350</u>
<b>Other segment information:</b>				
<b>Six months ended 30 June 2022</b>				
<b>(Unaudited)</b>				
Depreciation of property, plant and equipment	143,235	3,321	2,277	148,833
Depreciation of right-of-use assets	6,720	1,525	–	8,245
Capital expenditure	36,893	3,933	–	40,826
	<u>186,848</u>	<u>8,779</u>	<u>2,277</u>	<u>197,904</u>

## Geographical information

### (a) Revenue from external customers

	Six months ended 30 June 2023 <i>HK\$'000</i> (Unaudited)	Six months ended 30 June 2022 <i>HK\$'000</i> (Unaudited)
Korea	677,760	708,992
Mainland China	310,009	420,391
Hong Kong	119,638	129,221
Taiwan	103,689	284,372
Singapore	89,610	135,411
United Kingdom	61,398	95,162
Canada	60,371	24,145
Others	298,895	483,441
	<u>1,721,370</u>	<u>2,281,135</u>

The revenue information above is based on the location of the customers.

### (b) Non-current assets

	30 June 2023 <i>HK\$'000</i> (Unaudited)	31 December 2022 <i>HK\$'000</i> (Audited)
Mainland China	918,842	1,210,992
Hong Kong	176,501	58,361
Cambodia	80,680	73,582
Singapore	141	763
Others	36,242	36,852
	<u>1,212,406</u>	<u>1,380,550</u>

The non-current assets information above is based on the location of assets and excludes long-term receivables and deferred tax assets.

### Information about a major customer

Revenue from customer amounted to over 10% of the Group's total revenue is as follows:

	<b>Six months ended 30 June 2023 <i>HK\$'000</i> (Unaudited)</b>	Six months ended 30 June 2022 <i>HK\$'000</i> (Unaudited)
Customer A	<b>227,247</b>	—*

Revenue from major customer comes from the sale of knitted fabric and dyed yarn.

\* The corresponding revenue did not contribute over 10% of the Group's total revenue.

For the period ended 30 June 2022, the revenue from the Group's largest customer amounted to less than 10% of the Group's total revenue.

### 3. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and services rendered by the Group.

An analysis of the revenue, other income and gains, is as follows:

	<b>Six months ended 30 June 2023 HK\$'000 (Unaudited)</b>	Six months ended 30 June 2022 HK\$'000 (Unaudited)
<b>Revenue from contracts with customers</b>		
Production and sale of knitted fabric and dyed yarn	<b>1,452,181</b>	1,899,981
Production and sale of garment products and provision of related subcontracting services	<u><b>269,189</b></u>	<u>381,154</u>
	<u><b>1,721,370</b></u>	<u>2,281,135</u>
<b>Other income</b>		
Bank interest income	<b>14,823</b>	882
Subsidy income	<b>9,616</b>	4,456
Fee income from sewage treatment	<b>10,353</b>	11,943
Fee income from freight handling services	<b>2,864</b>	4,352
Others	<u><b>3,392</b></u>	<u>2,799</u>
	<u><b>41,048</b></u>	<u>24,432</u>
<b>Gains</b>		
Fair value losses:		
Financial assets at fair value through profit or loss – held for trading	<u><b>(321)</b></u>	<u>(14)</u>
Other income and gains	<u><b>40,727</b></u>	<u>24,418</u>

#### 4. (LOSS)/PROFIT BEFORE TAX

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

	<b>Six months ended 30 June 2023 HK\$'000 (Unaudited)</b>	Six months ended 30 June 2022 HK\$'000 (Unaudited)
Cost of inventories sold and services provided	<b>1,567,512</b>	2,049,686
Research and development costs	<b>57,838</b>	67,792
Depreciation of items of property, plant and equipment	<b>154,603</b>	148,833
Depreciation of right-of-use assets	<b>6,473</b>	8,245
Employee benefits expense (including directors' remuneration):		
Wages and salaries	<b>246,224</b>	265,089
Pension scheme contributions	<b>24,788</b>	32,731
	<u><b>271,012</b></u>	<u>297,820</u>
Loss on disposal of items of property, plant and equipment	<b>395</b>	124
Write-back of impairment losses, net	<b>(3,109)</b>	(2,112)
Fair value losses:		
Financial assets at fair value through profit or loss – held for trading	<b>321</b>	14
Foreign exchange differences, net	<b>(48,497)</b>	(35,440)
	<u><b>(48,497)</b></u>	<u>(35,440)</u>

## 5. INCOME TAX

	<b>Six months ended 30 June 2023 HK\$'000 (Unaudited)</b>	Six months ended 30 June 2022 HK\$'000 (Unaudited)
Current tax – Hong Kong		
Charge for the period	2	6,311
Current tax – Elsewhere		
Charge for the period	291	409
Underprovision in prior years	11,524	–
Deferred tax credit	<u>(188)</u>	<u>(202)</u>
Total tax charge for the period	<u><b>11,629</b></u>	<u>6,518</u>

Hong Kong profits tax has been provided on the estimated assessable profits arising in Hong Kong at the rate of 16.5% (six months ended 30 June 2022: 16.5%), except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (six months ended 30 June 2022: HK\$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% (six months ended 30 June 2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (six months ended 30 June 2022: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

Pursuant to the Corporate Income Tax Law of the PRC effective on 1 January 2008, the corporate income tax rate is 25% for all enterprises in Mainland China.

During the periods ended 30 June 2023 and 30 June 2022, certain subsidiaries of the Group were entitled to a preferential tax rate of 15% under the status of High New Technology Enterprises.

## 6. DIVIDEND

The Board has resolved not to declare any interim dividend for the Period (six months ended 30 June 2022: Nil).

## 7. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share amount for the Period is based on the loss for the Period attributable to ordinary equity holders of the Company of HK\$24,726,000 and 869,919,000 ordinary shares in issue during the Period.

The calculation of basic earnings per share amount for the period ended 30 June 2022 was based on the profit for the period attributable to ordinary equity holders of the Company of HK\$29,453,000 and 869,919,000 ordinary shares in issue during the period ended 30 June 2022.

The Group had no potentially dilutive ordinary shares in issue for the periods ended 30 June 2023 and 30 June 2022.

## 8. ACCOUNTS AND BILLS RECEIVABLE

The Group's trading terms with its customers are generally on credit with terms of up to three months and are non-interest bearing (except for certain well-established customers with strong financial strength, good repayment history and creditworthiness, where the credit terms are extended to six months). The Group seeks to maintain strict control over its outstanding receivable and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's accounts and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its accounts and bills receivables balances.

An aged analysis of the Group's accounts and bills receivable as at the end of the reporting period, based on the invoice date and issuance date, respectively, and net of loss allowance, is as follows:

	<b>30 June 2023 HK\$'000 (Unaudited)</b>	31 December 2022 HK\$'000 (Audited)
Within 1 month	<b>289,854</b>	263,266
1 to 2 months	<b>110,557</b>	176,173
2 to 3 months	<b>65,613</b>	60,329
Over 3 months	<b>42,763</b>	61,761
	<b>508,787</b>	561,529



## 9. ACCOUNTS AND BILLS PAYABLE

An aged analysis of the Group's accounts and bills payables as at the end of the reporting period, based on the invoice date and issuance date, respectively, is as follows:

	<b>30 June</b> <b>2023</b> <i>HK\$'000</i> <b>(Unaudited)</b>	31 December 2022 <i>HK\$'000</i> (Audited)
Within 3 months	<b>398,274</b>	383,126
3 to 6 months	<b>98,951</b>	51,716
Over 6 months	<b>2,911</b>	1,628
	<b><u>500,136</u></b>	<b><u>436,470</u></b>

The accounts and bills payable are non-interest bearing and are normally settled on credit terms of one to five months.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Market Review

During the first half of 2023, the textile and garment business faced yet another challenging period marked by the adverse economic climate and the consequent dampened consumer sentiment, resulting from the complex macro environment of the ongoing geopolitical conflicts, continuous inflationary pressures, and the tightening fiscal intervention involving aggressive interest rate hikes carried out by the U.S. Federal Reserves.

The overall demand for textile and garment remained low over the Period. While the U.S. inflation rate gradually moderated from 6.4% to 3% in the first half of 2023, elevated interest rates curbed non-essential spending, including on fashion and apparel items. With disposable income diminishing and essential living costs on the rise, consumers favoured basic necessities like food and energy over discretionary purchases.

To counter supply chain disruptions experienced in early 2022 and in anticipation of sustained post-COVID demand for apparel in the U.S., brands and retailers strategically placed larger and earlier orders. However, as the rebound lost momentum in mid-2022, the industry confronted excessive inventory challenges by late 2022, prompting significant purchasing reductions in the initial half of 2023.

In China, the reopening of the consumption market led to resumed economic activities, but domestic textile competition intensified. As the export business faced headwinds, suppliers shifted focus to the local market, impacting manufacturers' profitability.

Despite substantial pressure endured in the first half of 2023, the textile and garment industry exhibited a moderate recovery in the second quarter. Companies with robust fundamentals and sound financials are better equipped to navigate short-term challenges and seize demand revival in the foreseeable future.

## Business Overview

The first half of 2023 posed challenges for the Group, with macroeconomic factors significantly dampening orders and price, ultimately impairing the Group's profitability throughout the Period. Revenue for the Period amounted to approximately HK\$1,721.4 million, representing a year-on-year ("yoy") decrease of 24.5%. Gross profit decreased by 33.5% yoy to approximately HK\$153.9 million for the Period. Loss attributable to ordinary equity holders of the Company for the Period amounted to approximately HK\$24.7 million, which included one-off tax payment of approximately HK\$11.5 million for prior years' tax modification in Mainland China. The basic loss per share for the Period was HK2.8 cents, compared to a basic earnings per share of HK3.4 cents for the six months ended 30 June 2022.

During the first half of 2023, the two operating segments of textile business and garment business continued to contribute to the Group, accounted for approximately 84.4% and 15.6% of total revenue respectively. The textile business was mostly supported by the Group's two production sites in Enping and Nansha in China, while the factories in Cambodia mainly manufactured garment products.

The textile business was under immense pressure during the Period, primarily due to the high inflation rate and rising interest rates in the west, leading to subdued consumer sentiment. Oversupply in retail channels prompted reduced procurement and destocking among brand customers and retailers. To maintain production viability amid decreased industry demand, the Group accepted lower-margin orders, thus impacting its profitability. Although reduced cotton yarn costs and Renminbi depreciation partially eased production expenses for the Period, profitability remained affected.

Likewise, the garment segment confronted similar challenges of reduced demand. Alongside coping with fewer client orders, the Group's Cambodia plant experienced decrease in orders from U.S. customers who had redirected orders to Cambodia in response to supply chain disruptions during the first half of 2022.

While navigating these challenges, the Group remains steadfastly committed to maintaining a strong balance sheet and ensuring financial agility. Notably, the Group maintained a stable inventory level at approximately HK\$862.2 million and cash and cash equivalent also increased by 23.5% to approximately HK\$1,327.2 million as at 30 June 2023 from the year end of 2022. In preparation for future development, the Group successfully obtained a green finance loan amounting to HK\$200 million during the Period, earmarked for establishing its environmental-friendly, integrated textile manufacturing base in Vietnam.

## Prospects

As we enter the latter half of 2023, the global economy grapples with persistent challenges of high inflation rates, interest rate hikes, geopolitical conflicts, and concerns about a potential U.S. recession. A positive note emerges, as July 2023's U.S. inflation rate remained at 3.2%, down from its mid-2022 peak. Though above the Federal Reserve's 2% target, this signals potential stability, with interest rate hike cycles nearing their peak. Labor market resilience shines, with unemployment nearing historic lows and job openings surpassing pre-pandemic levels with 1.6 vacancies per unemployed individual in July 2023. This fosters optimism for a favorable economic environment in the latter half of the year.

Entering the third quarter, the Group experiences an encouraging upturn in its order book. Retailers are preparing for the autumn and winter seasons, bolstering the Group's profitability with higher-margin orders. Market confidence aligns with anticipated improvements in consumer sentiment along with disinflation and labor market strength. These orders optimise profitability and enhance the product mix, while improving production efficiency and utilization.

To mitigate regional risks and maintain competitive labor costs, the Group has been actively expanding its manufacturing presence in Southeast Asia. In January 2023, the Group entered into agreements to acquire a land parcel in Nam Dinh Province, Vietnam for a strategic investment of approximately HK\$22.6 million. Combined with existing land, this integrated manufacturing base will cater for both garment and textile production. In Cambodia, the Group is undertaking a substantial factory expansion with its self-built production base. The Group will place a stronger emphasis on strengthening its research and development capabilities, enabling it to provide innovative and value-added services to its customers. With the new factory slated for operations in 2024, the Group is poised to solidify its market presence, further striving for sustainable growth in the dynamic and competitive market landscape.

Looking ahead, the Group remains prudent yet optimistic towards the development in the latter half of the year. The Group is committed to upholding operational excellence and enhancing its production and development capabilities to provide comprehensive one-stop solutions in textile and garment manufacturing. At the same time, the Group will continue to maintain its healthy financial position to strive for sustainable business growth, bringing greater returns to its shareholders.

## **Financial Review**

### ***Revenue***

Overall sales turnover during the Period was approximately HK\$1,721.4 million, representing a decrease of approximately 24.5% (six months ended 30 June 2022: approximately HK\$2,281.1 million). The decrease was mainly attributable to the decrease in sales volume and amount due to the low demand for order since the second half of year 2022. The Group is suffering from the sluggish economic recovery in global markets. Also, there has been a change in consumer behavior on their spending proportion in basic necessities. Consumers are spending less on fashion and apparel items.

### ***Gross Profit and Gross Profit Margin***

Gross profit during the Period was approximately HK\$153.9 million, representing a decrease of approximately 33.5% (six months ended 30 June 2022: approximately HK\$231.4 million). Gross profit margin decreased to approximately 8.9% (six months ended 30 June 2022: approximately 10.1%). This was mainly attributable to the decrease in unit selling price and reduction in production volume. The competition in China and sluggish global market demand all affected the gross profit margin of orders.

### ***Other Income and Gains, Net***

Other income and gains, net during the Period of approximately HK\$40.7 million (six months ended 30 June 2022: approximately HK\$24.4 million) mainly comprised income received from provision of sewage treatment of approximately HK\$10.4 million (six months ended 30 June 2022: approximately HK\$12.0 million), fee income from freight handling services of approximately HK\$2.9 million (six months ended 30 June 2022: approximately HK\$4.4 million), subsidy income of approximately HK\$9.6 million (six months ended 30 June 2022: approximately HK\$4.5 million), bank interest income of approximately HK\$14.8 million (six months ended 30 June 2022: approximately HK\$0.9 million). The remaining balance was mainly derived from sales of scrap.

### ***Selling and Distribution Expenses***

Selling and distribution expenses during the Period decreased to approximately HK\$46.7 million (six months ended 30 June 2022: approximately HK\$63.0 million). The decrease in expenses was in line with the decrease in sales amount.

### ***Administrative Expenses***

Administrative expenses, including salaries, depreciation, customs declaration and other related expenses, slightly decreased to approximately HK\$157.3 million during the Period (six months ended 30 June 2022: approximately HK\$157.5 million). The pace of economic recovery in 2023 remains hindered by a combination of high interest rates and unpredictable geopolitical factors, creating constraints on the global economy. The Group continues to adopt a prudent strategy on cost control in order to save cost and improve efficiency.

### ***Other Operating Income, Net***

During the Period, other operating income, net was approximately HK\$38.7 million (six months ended 30 June 2022: approximately HK\$22.4 million), mainly comprising operating expenses on sewage treatment of approximately HK\$10.9 million (six months ended 30 June 2022: approximately HK\$12.2 million) and foreign exchange gain of approximately HK\$48.5 million (six months ended 30 June 2022: approximately HK\$35.4 million).

### ***Finance costs***

Finance costs for the Period were approximately HK\$45.9 million (six months ended 30 June 2022: approximately HK\$21.3 million), comprising interest on bank loans of approximately HK\$37.5 million (six months ended 30 June 2022: approximately HK\$15.3 million), amortization of bank charges on syndicated loans of approximately HK\$2.8 million (six months ended 30 June 2022: approximately HK\$2.8 million), interest on trade loan and discounted bills of approximately HK\$5.2 million (six months ended 30 June 2022: approximately HK\$2.4 million) and interest on lease liabilities of approximately HK\$0.4 million (six months ended 30 June 2022: approximately HK\$0.8 million). The increase in finance costs was mainly due to the increase in interest rate during the Period.

### ***Net Profit/Loss***

Net loss attributable to ordinary equity holders of the Company for the Period was approximately HK\$24.7 million (net profit attributable to ordinary equity holders of the Company for the six months ended 30 June 2022 was approximately HK\$29.5 million). Despite the Group's efforts to enhance efficiency and reduce costs, it is not sufficient to offset the impact of declining order volumes and gross profit margins.

## ***Liquidity and Financial Resources***

As at 30 June 2023, the Group's net current assets were approximately HK\$1,149.4 million (31 December 2022: approximately HK\$1,472.3 million). The Group regularly reviews its financial position and maintains a healthy financial position by financing its operations from internally generated resources and long-term bank loans. As at 30 June 2023, the Group had cash and cash equivalents of approximately HK\$1,327.2 million (31 December 2022: approximately HK\$1,074.6 million). Current ratio as at 30 June 2023 was approximately 1.6 times (31 December 2022: approximately 2.3 times).

As at 30 June 2023, total bank borrowings of the Group were approximately HK\$1,836.8 million (31 December 2022: approximately HK\$1,462.3 million). The Group's net debt gearing ratio (i.e. net debts divided by the sum of equity and net debts) as at 30 June 2023 was approximately 40.3% (31 December 2022: approximately 35.9%). Net debts comprise all interest-bearing bank borrowings, accounts and bills payables, accrued liabilities and other payables, an amount due to an associate, bank advance for discounted bills and lease liabilities less cash and cash equivalents. Equity comprises owners' equity as stated in the consolidated financial statements.

## ***Financing***

As at 30 June 2023, the Group's long-term loans were approximately HK\$644.5 million (31 December 2022: approximately HK\$966.7 million), primarily made up of the syndicated loan. The decrease in long-term loans was mainly due to reclassification of scheduled repayments of syndicated loan due within 12 months to current liabilities.

## ***Interim Dividend***

The Board has resolved not to recommend the payment of an interim dividend for the Period (six months ended 30 June 2022: Nil).

### ***Foreign Exchange Risk and Interest Rate Risk***

Approximately 78.8% (six months ended 30 June 2022: approximately 80.4%) of the Group's sales was denominated in U.S. dollars. The remaining sales were denominated in Hong Kong dollars and Renminbi. The majority of the Group's costs of sales were denominated in U.S. dollars, Hong Kong dollars and Renminbi. The Group is therefore exposed to foreign exchange risks arising from currency exposures, primarily in respect to the Renminbi. The exchange rates of other currencies were relatively stable throughout the Period and immaterial on our cost structure. The management closely monitors the foreign exchange movements and determines the appropriate hedging activities when necessary. The Group's borrowings were mainly maintained at a floating rate basis. The management will pay attention to the interest rate movement and employ necessary hedging instruments in a prudent and professional manner.

### ***Charge of Group's Assets***

As at 30 June 2023, none of the Group's land and buildings were pledged (31 December 2022: Nil).

### ***Capital Expenditure***

For the Period, the Group invested approximately HK\$38.8 million (six months ended 30 June 2022: approximately HK\$40.8 million) in capital expenditure of which approximately 98.2% (six months ended 30 June 2022: approximately 92.2%) was used for the purchase of plant and machinery and the remaining was used for the construction of factory premises and purchase of other equipments.

As at 30 June 2023, the Group had capital commitments of approximately HK\$21.9 million (31 December 2022: approximately HK\$48.6 million) in property, plant and equipment and right-of-use assets and approximately HK\$199.3 million (31 December 2022: approximately HK\$221.7 million) in construction of new manufacturing facilities. All are funded or will be funded by internal resources.

### ***Contingent Liabilities***

As at 30 June 2023, the Group did not have any significant contingent liabilities (31 December 2022: Nil).



### ***Significant Investment***

As at 30 June 2023, the Group did not hold any significant investment with a value of 5% or more of the Group's total assets.

### ***Material Acquisition and Disposal***

As announced on 5 January 2023, (i) Kam Wang (Hong Kong) Garment Company Limited (錦弘(香港)製衣有限公司) (“Kam Wang”), an indirect wholly-owned subsidiary of the Company, as purchaser and Mrs. Do Thi Hong (the “Vendor”) as vendor entered into the share transfer agreement; and (ii) Kam Wang and Jindi Vietnam Shoes Co., Ltd.\* (CÔNG TY TNHH GIÀY JINDI VIỆT NAM) on behalf of the Vendor, entered into the agreement in principle, both dated 5 January 2023 in respect of the acquisition of the entire equity interests in Great Garment Vietnam Company Limited (the “Target Company”) for the consideration of VND75,200,860,000 (equivalent to approximately HK\$22,582,800) in cash. Following completion of the acquisition, the Target Company will become an indirect wholly-owned subsidiary of the Company and the Company will indirectly obtain the land use right for the land plot in Nam Dinh Province, Vietnam, through the Target Company. Details of the acquisition are set out in the announcement of the Company dated 5 January 2023.

During the Period, save as disclosed above, there was no material acquisition or disposal of subsidiaries, associates and joint ventures by the Group.

### ***Treasury Policy***

The Group adopted conservative treasury policies in cash and financial management, and attached high importance to the risk control and transactions related to the Group's principal business. The Group's treasury policies are designed to mitigate the impact of fluctuations in interest rates and exchange rates on the Group's overall financial position and to minimise the Group's financial risks. The Group's liquidity and financing requirements are reviewed regularly.

### ***Equity Fund Raising Exercise***

There was no equity fund raising by the Company during the Period, nor were there any unutilised proceeds brought forward from any issue of equity securities made in previous financial years.

\* *The English name is provided for identification purpose only*

## ***Staff Policy***

The Group had 4,020 (31 December 2022: 3,919) employees in the PRC, 2,478 employees in Cambodia (31 December 2022: 2,703) and 119 employees in Hong Kong, Macau, Singapore and other territories (31 December 2022: 121) as at 30 June 2023. Remuneration packages are generally structured by reference to market terms and individual qualification. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Discretionary bonuses are offered to the Group's staff depending on their performance and the results of the Group.

The Group operates a defined contribution retirement benefit scheme under the Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong) as well as medical insurance for all its employees in Hong Kong. The Group also participates in various defined contribution plans and insurance schemes in compliance with its statutory obligations under the relevant laws and regulations of applicable jurisdictions. Also, the Group is obliged to provide its employees in the PRC with welfare schemes covering various insurance and social benefits. Staff benefits are also provided to the staff working in other countries according to the respective countries' statutory requirements.

The Company has adopted a share option scheme, pursuant to which share options may be granted to selected eligible participants, with a view to providing an appropriate incentive package for the growth of the Group.

## **Purchase, Redemption or Sale of Listed Securities of the Company**

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Period.

## **Corporate Governance**

The Company is committed to maintaining good corporate governance practices. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth and enhancing shareholders value. The Company has applied the principles and complied with the Corporate Governance Code as set out in Part 2 of Appendix 14 of the Listing Rules throughout the Period.

## **Audit Committee**

The Audit Committee, comprising all the three independent non-executive Directors, namely Mr. Wu Tak Lung (as Chairman), Mr. Ho Gilbert Chi Hang and Mr. Ting Kay Loong, is primarily responsible for reviewing and supervising the financial reporting, risk management and internal control of the Group. The Audit Committee has discussed with management the accounting policies adopted by the Group and reviewed the unaudited interim financial statements of the Group for the Period before recommending them to the Board for approval.

## **Model Code For Securities Transactions By Directors (“Model Code”)**

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code for securities transactions by Directors. Having made specific enquiry of all Directors, the Directors confirmed that they have complied with the required standard set out in the Model Code for the Period.

## **APPRECIATION**

The Board would like to express its sincere gratitude to the shareholders, investors and business partners for their continual support and to its staff for their dedicated work.

## **GENERAL INFORMATION**

As at the date of this announcement, the Board comprises Mr. Tai Chin Chun, Mr. Tai Chin Wen, Ms. Cheung So Wan, Ms. Wong Siu Yuk and Mr. Lei Heong Man as executive Directors; and Mr. Ho Gilbert Chi Hang, Mr. Ting Kay Loong and Mr. Wu Tak Lung as independent non-executive Directors.

By Order of the Board  
**Kam Hing International Holdings Limited**  
**Tai Chin Chun**  
*Chairman*

Hong Kong, 29 August 2023