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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)**

**ANNUAL RESULTS ANNOUNCEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

**FINANCIAL HIGHLIGHTS**

- Revenue decreased by 12.2% to HK\$3,604.4 million (2022: HK\$4,106.2 million)
- Gross profit decreased by 16.7% to HK\$295.2 million (2022: HK\$354.3 million)
- Net loss for the year attributable to ordinary equity holders of the Company amounted to HK\$132.9 million (2022: HK\$58.0 million)
- No final dividend was proposed (2022: Nil)

The board (the “Board”) of directors (the “Directors”) of Kam Hing International Holdings Limited (the “Company”) hereby announces the annual results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2023 (the “Year”), together with the comparative figures for the year ended 31 December 2022, as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2023

	<i>Notes</i>	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>REVENUE</b>	4	<b>3,604,357</b>	4,106,168
Cost of sales		<u><b>(3,309,180)</b></u>	<u>(3,751,875)</u>
Gross profit		<b>295,177</b>	354,293
Other income and gains, net	4	<b>85,334</b>	57,981
Selling and distribution expenses		<b>(98,259)</b>	(107,276)
Administrative expenses		<b>(294,348)</b>	(297,615)
Write-back of impairment losses/(impairment losses) on financial assets, net		<b>702</b>	(6,689)
Other operating income/(expenses), net		<b>(8,548)</b>	5,739
Finance costs		<b>(104,734)</b>	(58,647)
Share of loss of an associate		<u><b>(314)</b></u>	<u>(1,626)</u>
<b>LOSS BEFORE TAX</b>	5	<b>(124,990)</b>	(53,840)
Income tax expense	6	<u><b>(9,781)</b></u>	<u>(874)</u>
<b>LOSS FOR THE YEAR</b>		<u><b>(134,771)</b></u>	<u>(54,714)</u>
Attributable to:			
Ordinary equity holders of the Company		<b>(132,908)</b>	(57,958)
Non-controlling interests		<u><b>(1,863)</b></u>	<u>3,244</u>
		<u><b>(134,771)</b></u>	<u>(54,714)</u>
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	8		
Basic		<u><b>HK(15.3) cents</b></u>	<u>HK(6.7) cents</u>
Diluted		<u><b>HK(15.3) cents</b></u>	<u>HK(6.7) cents</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>LOSS FOR THE YEAR</b>	<u>(134,771)</u>	<u>(54,714)</u>
<b>OTHER COMPREHENSIVE EXPENSES</b>		
Other comprehensive expenses that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	(124,761)	(225,972)
Share of other comprehensive expenses of an associate	<u>(41)</u>	<u>(225)</u>
<b>OTHER COMPREHENSIVE EXPENSES FOR THE YEAR</b>	<u>(124,802)</u>	<u>(226,197)</u>
<b>TOTAL COMPREHENSIVE EXPENSES FOR THE YEAR</b>	<u><u>(259,573)</u></u>	<u><u>(280,911)</u></u>
Attributable to:		
Ordinary equity holders of the Company	(257,710)	(284,155)
Non-controlling interests	<u>(1,863)</u>	<u>3,244</u>
	<u><u>(259,573)</u></u>	<u><u>(280,911)</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	<i>Notes</i>	<b>2023</b> <i>HK\$'000</i>	<b>2022</b> <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>1,000,920</b>	1,135,129
Right-of-use assets		<b>195,341</b>	223,752
Interests in associates		<b>1,480</b>	1,835
Prepayments		<b>4,282</b>	5,110
Long-term receivables		<b>38,348</b>	37,175
Deposits paid		<b>2,376</b>	14,724
Deferred tax assets		<b>39,478</b>	31,888
		<hr/>	<hr/>
Total non-current assets		<b>1,282,225</b>	1,449,613
<b>CURRENT ASSETS</b>			
Properties under development		<b>53,674</b>	56,114
Inventories		<b>888,436</b>	826,214
Accounts and bills receivables	9	<b>493,070</b>	561,529
Prepayments, deposits and other receivables		<b>95,783</b>	64,639
Financial asset at fair value through profit or loss		<b>224</b>	556
Tax recoverable		<b>5,047</b>	2,991
Pledged deposits		<b>45,539</b>	37,788
Cash and cash equivalents		<b>916,088</b>	1,074,555
		<hr/>	<hr/>
Total current assets		<b>2,497,861</b>	2,624,386
<b>CURRENT LIABILITIES</b>			
Accounts and bills payables	10	<b>678,829</b>	436,470
Accrued liabilities and other payables		<b>163,790</b>	208,597
Due to an associate		<b>947</b>	947
Tax payable		<b>847</b>	3,877
Lease liabilities		<b>5,283</b>	6,639
Interest-bearing bank borrowings		<b>883,770</b>	495,578
		<hr/>	<hr/>
Total current liabilities		<b>1,733,466</b>	1,152,108
<b>NET CURRENT ASSETS</b>			
		<b>764,395</b>	1,472,278
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<b>2,046,620</b>	2,921,891

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)***31 December 2023*

	<b>2023</b>	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing bank borrowings	<b>377,766</b>	966,688
Lease liabilities	<b>14,347</b>	32,937
Deferred tax liabilities	<b>4,056</b>	4,617
	<hr/>	<hr/>
Total non-current liabilities	<b>396,169</b>	1,004,242
	<hr/>	<hr/>
Net assets	<b>1,650,451</b>	1,917,649
	<hr/>	<hr/>
<b>EQUITY</b>		
<b>Equity attributable to ordinary equity holders of the Company</b>		
Issued capital	<b>86,992</b>	86,992
Reserves	<b>1,563,536</b>	1,826,207
	<hr/>	<hr/>
	<b>1,650,528</b>	1,913,199
	<hr/>	<hr/>
Non-controlling interests	<b>(77)</b>	4,450
	<hr/>	<hr/>
Total equity	<b>1,650,451</b>	1,917,649
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Notes:

## 1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for a financial asset at fair value through profit or loss and financial assets at fair value through other comprehensive income which have been measured at fair value. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year’s financial statements.

HKFRS 17	<i>Insurance Contracts</i>
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 the impact of the 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 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group’s 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. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.
- (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 amendments did not have any significant impact on the Group's financial statements.
- (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 Co-operation 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. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

### 3. 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 service, 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.



**Year ended 31 December 2023**

	<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>Segment revenue:</b>				
Revenue from external customers	2,944,793	659,564	–	3,604,357
Intersegment sales	134,616	344	–	134,960
	<u>3,079,409</u>	<u>659,908</u>	<u>–</u>	<u>3,739,317</u>
Elimination of intersegment sales				<u>(134,960)</u>
				<u><u>3,604,357</u></u>
Segment loss	(43,224)	(2,706)	(1,141)	(47,071)
Bank interest income	26,579	1,279	165	28,023
Finance costs (other than interest on lease liabilities)	(103,716)	(93)	–	(103,809)
Loss on deregistration of subsidiaries, net	(1,819)	–	–	(1,819)
Share of loss of an associate	–	(314)	–	(314)
	<u>(122,180)</u>	<u>(1,834)</u>	<u>(976)</u>	<u>(124,990)</u>
Income tax credit/(expense)	(9,622)	(189)	30	(9,781)
	<u>(131,802)</u>	<u>(2,023)</u>	<u>(946)</u>	<u>(134,771)</u>
<b>Assets and liabilities</b>				
Segment assets	3,109,875	542,994	86,259	3,739,128
Interests in associates	–	1,480	–	1,480
Deferred tax assets	20,001	–	19,477	39,478
	<u>3,129,876</u>	<u>544,474</u>	<u>105,736</u>	<u>3,780,086</u>
Total assets				
Segment liabilities	(2,026,814)	(95,478)	(3,287)	(2,125,579)
Deferred tax liabilities	(4,056)	–	–	(4,056)
	<u>(2,030,870)</u>	<u>(95,478)</u>	<u>(3,287)</u>	<u>(2,129,635)</u>
Total liabilities				
<b>Other segment information:</b>				
Depreciation of items of property, plant and equipment	238,424	6,529	923	245,876
Depreciation of right-of-use assets	6,808	5,451	1,500	13,759
Loss/(gain) on disposal of items of property, plant and equipment, net	11,838	(16)	–	11,822
Impairment/(write-back of impairment) for accounts receivable, net	(4,307)	3,605	–	(702)
Write-off of inventories	–	1,946	–	1,946
Capital expenditure*	88,989	77,330	4,089	170,408

\* Capital expenditure consists of additions of property, plant and equipment.

**Year ended 31 December 2022**

	Fabric <i>HK\$ '000</i>	Garment <i>HK\$ '000</i>	Others <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
<b>Segment revenue:</b>				
Revenue from external customers	3,293,006	813,162	–	4,106,168
Intersegment sales	142,709	–	–	142,709
	<u>3,435,715</u>	<u>813,162</u>	<u>–</u>	<u>4,248,877</u>
Elimination of intersegment sales				<u>(142,709)</u>
				<u><u>4,106,168</u></u>
Segment profit/(loss)	(19,484)	19,448	(1,722)	(1,758)
Bank interest income	6,429	130	24	6,583
Finance costs (other than interest on lease liabilities)	(57,039)	–	–	(57,039)
Share of loss of an associate	–	(1,626)	–	(1,626)
	<u>(70,094)</u>	<u>17,952</u>	<u>(1,698)</u>	<u>(53,840)</u>
Income tax credit/(expense)	1,880	(2,949)	195	(874)
	<u>(68,214)</u>	<u>15,003</u>	<u>(1,503)</u>	<u>(54,714)</u>
<b>Assets and liabilities</b>				
Segment assets	3,452,425	471,523	116,328	4,040,276
Interests 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><u>3,459,725</u></u>	<u><u>473,358</u></u>	<u><u>140,916</u></u>	<u><u>4,073,999</u></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><u>(2,068,894)</u></u>	<u><u>(77,541)</u></u>	<u><u>(9,915)</u></u>	<u><u>(2,156,350)</u></u>
<b>Other segment information:</b>				
Depreciation of items of property, plant and equipment	268,894	6,405	4,062	279,361
Depreciation of right-of-use assets	11,995	3,051	864	15,910
Loss on disposal of items of property, plant and equipment, net	1,238	–	–	1,238
Impairment for accounts receivable, net	6,656	33	–	6,689
Provision for inventories	1,540	–	–	1,540
Capital expenditure*	76,405	2,745	–	79,150
	<u>76,405</u>	<u>2,745</u>	<u>–</u>	<u>79,150</u>

\* Capital expenditure consists of additions of property, plant and equipment.

## Geographical information

### (a) Revenue from external customers

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Korea	1,430,276	1,357,034
Chinese Mainland	613,478	740,561
Hong Kong	270,031	255,342
Singapore	257,168	199,372
Taiwan	209,494	408,113
United Kingdom	181,728	274,574
United States	133,793	217,430
Vietnam	71,967	124,207
Others	436,422	529,535
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Total revenue	<b>3,604,357</b>	<b>4,106,168</b>
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The revenue information above is based on the locations of the customers.

### (b) Non-current assets

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Chinese Mainland	970,858	1,210,992
Cambodia	141,776	73,582
Hong Kong	47,567	58,361
Singapore	118	763
Others	44,080	36,852
	<hr/>	<hr/>
	<b>1,204,399</b>	<b>1,380,550</b>
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The non-current assets information above is based on the locations of the assets and excludes long-term receivables and deferred tax assets.

## Information about a major customer

During the year ended 31 December 2023, revenue of approximately HK\$517,301,000 was derived from sales by the fabric products segment to a single customer. During the year ended 31 December 2022, the revenue from the Group's largest customer amounted to less than 10% of the Group's total revenue.

#### 4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue from contracts with customers		
Production and sale of knitted fabric and dyed yarn	2,944,793	3,293,006
Production and sale of garment products and provision of related subcontracting services	<u>659,564</u>	<u>813,162</u>
Total	<u><u>3,604,357</u></u>	<u><u>4,106,168</u></u>

#### Revenue from contracts with customers

##### (i) *Disaggregated revenue information*

#### For the year ended 31 December 2023

Segments	Fabric <i>HK\$'000</i>	Garment <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Types of goods or services</b>			
Sale of goods	2,944,793	630,358	3,575,151
Subcontracting services	–	29,206	29,206
Total	<u><u>2,944,793</u></u>	<u><u>659,564</u></u>	<u><u>3,604,357</u></u>
<b>Geographical markets</b>			
Korea	1,430,276	–	1,430,276
Chinese Mainland	463,170	150,308	613,478
Hong Kong	220,014	50,017	270,031
Singapore	231,162	26,006	257,168
Taiwan	209,494	–	209,494
United Kingdom	–	181,728	181,728
United States	–	133,793	133,793
Vietnam	71,967	–	71,967
Others	<u>318,710</u>	<u>117,712</u>	<u>436,422</u>
Total	<u><u>2,944,793</u></u>	<u><u>659,564</u></u>	<u><u>3,604,357</u></u>
<b>Timing of revenue recognition</b>			
At a point in time	<u><u>2,944,793</u></u>	<u><u>659,564</u></u>	<u><u>3,604,357</u></u>

**For the year ended 31 December 2022**

<b>Segments</b>	Fabric <i>HK\$ '000</i>	Garment <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
<b>Types of goods or services</b>			
Sale of goods	3,293,006	776,223	4,069,229
Subcontracting services	–	36,939	36,939
	<u>3,293,006</u>	<u>813,162</u>	<u>4,106,168</u>
<b>Total</b>	<b><u>3,293,006</u></b>	<b><u>813,162</u></b>	<b><u>4,106,168</u></b>
<b>Geographical markets</b>			
Korea	1,357,034	–	1,357,034
Chinese Mainland	617,952	122,609	740,561
Taiwan	408,113	–	408,113
Singapore	139,121	60,251	199,372
United Kingdom	–	274,574	274,574
Hong Kong	228,647	26,695	255,342
United States	19,550	197,880	217,430
Vietnam	124,207	–	124,207
Others	398,382	131,153	529,535
	<u>3,293,006</u>	<u>813,162</u>	<u>4,106,168</u>
<b>Total</b>	<b><u>3,293,006</u></b>	<b><u>813,162</u></b>	<b><u>4,106,168</u></b>
<b>Timing of revenue recognition</b>			
At a point in time	<u>3,293,006</u>	<u>813,162</u>	<u>4,106,168</u>

The following table shows the amount of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period:

	<b>2023</b> <i>HK\$ '000</i>	2022 <i>HK\$ '000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	<u>21,133</u>	<u>55,566</u>

(ii) *Performance obligations*

Information about the Group's performance obligations is summarised below:

**Sale of knitted fabric, dyed yarns and garment products, and provision of related subcontracting services**

The performance obligation is satisfied upon delivery of the knitted fabric, dyed yarns and garment products and payment is generally due within one month to three months from delivery, except for certain well-established customers with strong financial strength, good repayment history and creditworthiness, where the credit terms are extended to six months.

As a practical expedient, the transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) are not disclosed in the notes to the financial statements because all the remaining performance obligations in relation to sale of knitted fabric, dyed yarns and garment products, and provision of related subcontracting services are a part of contracts that have an original expected duration of less than one year.

	<i>Note</i>	<b>2023</b> <i>HK\$'000</i>	<b>2022</b> <i>HK\$'000</i>
<b>Other income</b>			
Fee income from sewage treatment		<b>21,476</b>	23,996
Fee income from freight handling services		<b>6,500</b>	8,821
Bank interest income		<b>28,023</b>	6,583
Subsidy income	5	<b>15,835</b>	11,134
Gain on early termination of lease arrangements		<b>2,704</b>	–
COVID-19-related rent concessions from lessors		–	126
Others		<b>11,128</b>	7,080
Total other income		<b>85,666</b>	57,740
<b>Gains/(loss), net</b>			
Fair value gains/(losses):			
Financial asset at fair value through profit or loss – held for trading		<b>(332)</b>	241
Total other income and gains, net		<b>85,334</b>	57,981

## 5. LOSS BEFORE TAX

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

	<i>Notes</i>	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Cost of inventories sold and services provided		<b>3,309,180</b>	3,751,875
Depreciation of items of property, plant and equipment		<b>245,876</b>	279,361
Depreciation of right-of-use assets		<b>13,759</b>	15,910
Gain on early termination of lease arrangements*		<b>(2,704)</b>	–
Loss on disposal of items of property, plant and equipment, net*		<b>11,822</b>	1,238
Loss on deregistration of subsidiaries, net		<b>1,819</b>	–
Impairment/(write-back of impairment) of financial assets, net			
Impairment/(write-back of impairment) for accounts receivable, net		<b>(702)</b>	6,689
Provision for inventories, net**		–	1,540
Write-off of inventories		<b>1,946</b>	–
Foreign exchange differences, net*		<b>(52,302)</b>	(44,957)
Subsidy income***		<b>(15,835)</b>	(11,134)
		<b><u>                    </u></b>	<b><u>                    </u></b>

\* These amounts are included in “Other operating income/(expenses), net” on the face of the consolidated statement of profit or loss.

\*\* These amounts are included in “Cost of sales” on the face of the consolidated statement of profit or loss.

\*\*\* Subsidy income mainly represented the amount received from governments under research and development schemes and employment schemes. There are no unfulfilled conditions or contingencies related to these grants.

## 6. INCOME TAX

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current tax – Hong Kong		
Charge for the year	367	3,421
Overprovision in prior years	–	(115)
Current tax – Elsewhere		
Charge for the year	973	240
Underprovision in prior years	17,359	2,424
Deferred tax credit	<u>(8,918)</u>	<u>(5,096)</u>
Total tax charge for the year	<u><u>9,781</u></u>	<u><u>874</u></u>

Hong Kong profits tax has been provided on the estimated assessable profits arising in Hong Kong at the rate of 16.5% (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 (2022: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the 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 Chinese Mainland.

During the years ended 31 December 2023 and 31 December 2022, certain subsidiaries of the Group were entitled to a preferential tax rate of 15% under the status of High New Technology Enterprises.

For Macau, the first Macau Pataca 600,000 (equivalent to approximately HK\$583,000) of assessable profits of the Macau subsidiary are exempted from Macao complementary tax and the remaining assessable profits are subject to the statutory rate of 12% (2022: 12%).

## 7. DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).



## 8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share amount for the year ended 31 December 2023 is based on the loss for the year attributable to ordinary equity holders of the Company of HK\$132,908,000 (2022: HK\$57,958,000) and 869,919,000 (2022: 869,919,000) ordinary shares in issue during the year.

The Company had no potentially dilutive ordinary shares during the years ended 31 December 2023 and 2022.

## 9. ACCOUNTS AND BILLS RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Accounts receivable	326,263	364,991
Impairment	<u>(14,468)</u>	<u>(16,675)</u>
Net carrying amount	311,795	348,316
Bills receivable	<u>181,275</u>	<u>213,213</u>
Total	<u><u>493,070</u></u>	<u><u>561,529</u></u>

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).

An ageing analysis of the Group's accounts and bills receivables 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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 1 month	302,287	263,266
1 to 2 months	117,450	176,173
2 to 3 months	39,159	60,329
Over 3 months	<u>34,174</u>	<u>61,761</u>
Total	<u><u>493,070</u></u>	<u><u>561,529</u></u>

## 10. ACCOUNTS AND BILLS PAYABLES

An ageing 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>2023</b>	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 3 months	<b>609,428</b>	383,126
3 to 6 months	<b>66,393</b>	51,716
Over 6 months	<b>3,008</b>	1,628
	<hr/>	<hr/>
Total	<b><u>678,829</u></b>	<b><u>436,470</u></b>

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

As at 31 December 2023, bills payables of HK\$151,135,000 were included in the above accounts and were secured by the Group's pledged bank deposits of HK\$45,539,000.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **MARKET REVIEW**

Throughout 2023, the textile and garment sector endured another challenging year marked by persistent macroeconomic uncertainties. Factors such as slower-than-anticipated economic growth, inflationary pressures, interest rate hikes, and geopolitical tensions persisted, impeding the industry's path to recovery.

Economic conditions are proved demanding, with inflation rates beginning at 6.4% in the United States ("U.S.") before gradually moderating to 3% to 4%, yet still well above the U.S. Federal Reserve's target of 2%. Concurrently, elevated interest rates, coupled with escalating prices of essential commodities, strained consumer finances, resulted in a substantial rise in household debt. The consumer sentiment leaned towards cautious spending, prioritizing essentials over discretionary purchases like fashion and apparel. Consequently, retailers adopted conservative inventory management strategies, actively destocking their shelves throughout the year to mitigate the risk of excessive inventory buildup, leading to considerable declines in purchasing volumes. Reflecting these trends, U.S. apparel imports experienced a notable 21.7% decline in both quantity and value compared to the previous year.

In China, despite the gradual reopening of economic activities post-COVID-19, market recovery lagged behind expectations. Consumption patterns among Chinese consumers shifted noticeably, with a preference for cash reserves over discretionary spending. Responding to weakened demand, retailers resorted to increase discounting and promotional activities. The intensified pricing pressure, coupled with sluggish export growth, intensified competition among domestic textile and garment manufacturers, triggering price battles and impacting profitability.

### **BUSINESS OVERVIEW**

In 2023, the Group's textile business encountered similar challenges that were experienced across the entire industry on a global scale. High inflation rates and rising interest rates in the West contributed to subdued consumer sentiment and a diminished market. Oversupply in retail channels prompted reduced procurement and destocking among brand customers and retailers. To address the shrinking demand, the Group promptly adjusted its product mix to focus more on mass-market orders, aiming to maintain sales stability and enhance manufacturing efficiency. However, this shift resulted in lower average selling prices and profit margins. Although reduced cotton yarn costs and Renminbi depreciation partially alleviated production expenses, profitability remained impacted. Similarly, the Group's garment segment encountered reduced demand and experienced a decrease in orders at its Cambodia plant from its customers.

Overall revenue of the Group for 2023 decreased by approximately 12.2% year-over-year to approximately HK\$3,604.4 million, with gross profit decreased by approximately 16.7% year-over-year to approximately HK\$295.2 million. Loss attributable to ordinary equity holders of the Company for the Year amounted to approximately HK\$132.9 million, which included a one-off tax payment of approximately HK\$17.4 million for prior years' tax modification in Chinese Mainland and one-off severance costs of approximately HK\$17.3 million resulting from streamlining of the Group's structure. Basic loss per share of the Year was approximately HK15.3 cents.

For the Year, revenue generated from the textile business and garment business accounted for approximately 81.7% and 18.3% of the overall 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. In September 2023, the Group closed its Nansha yarn-dyeing function due to low utilization. Although this decision incurred one-off severance costs and loss on disposal of yarn-dyeing equipments, it is expected to enhance the efficiency and profitability of the Group in the long run.

Amidst dwindling sales, soaring interest rates, and subdued consumer sentiment impacting the industry, the Group embarked on a thorough reassessment of its regional expansion strategy into Southeast Asia. The Group opted for a more prudent alternative, this involved forging strategic partnerships with local manufacturers in Southeast Asia to bolster our capacity to meet the evolving needs of the customers seeking flexibility in the country of origin. This strategic shift not only accelerates the expansion of our offshore production capacity but also increase the Group's investment flexibility and with lower risk.

In Cambodia, the construction of a new garment factory, owned by the Group, was finalised by the end of 2023. This expansion plan has boosted the Group's manufacturing capacity in Cambodia, empowering it with enhanced research and development capabilities and the ability to offer additional value-added products and services. These offshore investments form a crucial component of the Group's multi-location manufacturing strategy.

As a result of the aggressive interest rates last year, the Group experienced a notable rise in net interest expenses, amounting to approximately HK\$24.6 million for 2023. Concurrently, aligning with the recent adjustment in its regional expansion strategy, the Group utilised its available cash reserves to settle a bank loan of HK\$1,300 million during the year of 2023. This strategic decision not only ensures greater financial flexibility for the Group but also establishes a sustainable and unencumbered operational foundation for its future endeavours.

## PROSPECTS

The Group is cautiously optimistic about its growth prospects in 2024. Data of the U.S. Gross Domestic Product (GDP) in 2023 reflected the economy's resilience, characterised by a stable job market and favourable consumption trends. Expectations of an interest rate cut by the U.S. Federal Reserve, coupled with the easing of inflation, indicate a positive shift in consumer sentiment in the U.S.. As the lingering effects of inflation and challenges from 2023 recede, optimism grows for a smoother year ahead.

The first half of 2024 has commenced with a surge in orders for the Group. The completion of destocking initiatives by U.S. retailers in the last quarter of 2023 paved the way for increased stock replenishments, leading to the notable order growth. The influx of orders is expected to enhance the Group's product mix, improve production efficiency and increase utilization rate, and ultimately optimise its profitability.

The Group continues its expansion in Southeast Asia as part of its strategy to build its multi-location manufacturing network. Apart from Vietnam, the Group is actively seeking potential acquisition targets or partners to accelerate its expansion in Southeast Asia. With fabric manufacturing site in Vietnam, together with the Group's textile manufacturing hub in Enping and Nansha, China, and expanded garment production facilities in Cambodia, forms an production triangle in Asia. This strategic move is positioned to capitalise on the anticipated industry demand rebound in 2024. It also enhances the Group's ability to cater to its brand customers by offering one-stop, multi-location manufacturing solutions, aligning with their ongoing supply chain diversification. The Group will continue to seek investment opportunities and partnerships with regional textile and garment manufacturers to expand its vertically integrated manufacturing network in Southeast Asia.

In conclusion, the Group reaffirms its commitment to navigating the dynamic business landscape with its resilient business model and enhanced efficiency. As we venture into 2024, the Group stands well-positioned and unhindered to capitalise on future opportunities for market expansion. By offering comprehensive, one-stop integrated solutions for customers, the Group is poised to drive sustainable development in the years ahead.

## **FINANCIAL REVIEW**

### **Revenue**

Overall sales turnover was approximately HK\$3,604.4 million, representing a decrease of approximately 12.2% (2022: approximately HK\$4,106.2 million). The sales of fabric decreased by approximately 10.6% to approximately HK\$2,944.8 million (2022: approximately HK\$3,293.0 million). Meanwhile, the sales of garment decreased by approximately 18.9% to approximately HK\$659.6 million (2022: approximately HK\$813.2 million).

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

Gross profit was approximately HK\$295.2 million, representing a decrease of approximately 16.7% (2022: approximately HK\$354.3 million). Gross margin dropped to approximately 8.2% (2022: approximately 8.6%). The decrease in gross profit margin was attributable to a range of factors. With high level of inflation and interest rate, sales orders have experienced a decline, while intense competition has adversely impacted the gross margin.

### **Finance Costs**

Finance costs, which included an amortisation of syndicated loan charges, interest on term loans from banks, trade loans, bank overdraft and interests on discounted bills, increased by approximately 78.6% to approximately HK\$104.7 million (2022: approximately HK\$58.6 million) as compared with last year. This was primarily due to increase in average bank borrowings interest rate during the Year. In a higher interest rate environment, the Group aims to cut back on interest expenses. By early repayment of a syndicated loan during the Year, the Group reduced its total bank borrowings.

### **Selling and Distribution Expenses**

Selling and distribution expenses decreased to approximately HK\$98.3 million (2022: approximately HK\$107.3 million), which is in line with decrease in sales.

### **Administrative Expenses**

Administrative expenses, including salaries, depreciation, customs declaration, and other related expenses decreased to approximately HK\$294.3 million (2022: approximately HK\$297.6 million). The Group has put efforts on cost control and maintained the administrative expenses at an acceptable level.

## **Other Operating Income/Expenses, net**

Other operating expenses, net, was approximately HK\$8.5 million (2022: other operating income, net, approximately HK\$5.7 million), which mainly comprised foreign exchange gain of approximately HK\$52.3 million (2022: gain of approximately HK\$45.0 million), operating expenses on sewage treatment of approximately HK\$22.9 million (2022: approximately HK\$22.6 million) and one-off redundancy payment of HK\$17.3 million (2022: 15.0 million) in connection with the internal organisational restructuring for the Year.

## **Net Loss**

Net loss attributable to ordinary equity holders of the Company for the Year was approximately HK\$132.9 million (2022: HK\$58.0 million). The increase in net loss was mainly due to decrease in sales and gross profit margin. Several one-off items also increased the net loss as mentioned above.

## **Liquidity and Financial Resources**

As at 31 December 2023, the Group's net current assets were approximately HK\$764.4 million (2022: approximately HK\$1,472.3 million). The decrease in net current assets was mainly due to early repayment of a syndicated loan which amounted to HK\$1.3 billion during the Year. The Group borrowed several term loans from banks at the end of year to maintain its good liquidity. The Group will constantly review its financial position and maintain a healthy financial position by financing its operations from internally generated resources and long-term bank loans. As at 31 December 2023, the Group had cash and cash equivalents of approximately HK\$916.1 million (2022: approximately HK\$1,074.6 million). Current ratio was approximately 1.4 times (2022: approximately 2.3 times).

As at 31 December 2023, total bank borrowings of the Group were approximately HK\$1,261.5 million (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) was approximately 42.3% (2022: approximately 35.9%). Net debts comprise all interest-bearing bank borrowings, accounts and bills payables, an amount due to an associate, lease liabilities and accrued liabilities and other payables less cash and cash equivalents. Equity comprises owners' equity as stated in the consolidated financial statements.

Debtors' turnover period, inventory turnover period and creditors' turnover period for the Year was 53.4 days (2022: 63.3 days), 94.6 days (2022: 114.0 days) and 61.5 days (2022: 62.3 days) respectively. In response to rapid market changes, parties are experiencing a gradual shortening of operating cycles in order to meet market demands and mitigate operational risk.

## **Financing**

As at 31 December 2023, total banking facilities of the Group amounted to approximately HK\$5,135.1 million (2022: approximately HK\$5,225.6 million), of which approximately HK\$1,635.8 million (2022: approximately HK\$1,739.0 million) was utilised.

As at 31 December 2023, the Group's long-term loans were approximately HK\$377.8 million comprising term loans from banks (2022: approximately HK\$966.7 million, comprising syndicated loan from banks).

## **Dividend**

The Board has resolved not to recommend the payment of a final dividend for the Year (2022: Nil).

## **Capital Structure**

The capital structure of the Company is composed of equity and debt.

As at 31 December 2023, there has been no change in the capital structure of the Company. The share capital of the Company comprises only ordinary shares.

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

Approximately 80.0% (2022: approximately 80.3%) 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 risk arising from currency exposures, primarily in respect to the Renminbi. During the Year, the U.S. dollars is strong relative to other currencies. The Group continued to monitor foreign exchange movements and determined appropriate and prudent hedging measures as needed.



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.

### **Capital Expenditure**

As at 31 December 2023, the Group invested approximately HK\$170.4 million (2022: approximately HK\$79.2 million) in capital expenditure of which approximately 62.9% (2022: approximately 97.7%) was used for the purchase of plant and the remaining was used for the purchase of other items of property, plant and equipment.

As at 31 December 2023, the Group had capital commitments of approximately HK\$22.0 million (2022: approximately HK\$48.6 million) in property, plant and equipment and right-of-use assets and approximately HK\$176.2 million (2022: approximately HK\$221.7 million) in construction of new manufacturing facilities. All are funded or will be funded by internal resources of the Group.

### **Staff Policy**

The Group had 3,806 (2022: 3,919) employees in the People's Republic of China ("PRC"), 2,734 employees in Cambodia (2022: 2,703) and 116 employees in Hong Kong, Macau, Singapore and others territories (2022: 121) as at 31 December 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 also participates in various defined contribution plans and insurance schemes in compliance with its statutory obligations under the laws and regulations of various locations worldwide.

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 laws and regulations of various locations worldwide. 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.

## **Segment Information**

For the Year, the major end-market remained as the U.S.. By analysis of the location of customers, by regions, sales to the five largest regions (Korea, Chinese Mainland, Hong Kong, Singapore and Taiwan) accounted for approximately 77.1% (2022: Korea, Chinese Mainland, Taiwan, United Kingdom and Hong Kong, approximately 73.9%) of total sales of the Group and sales to the largest region, Korea (2022: Korea) included therein accounted for approximately 39.7% (2022: approximately 33.0%) of total sales of the Group.

As at 31 December 2023, the Group's assets for the fabric operation accounted for approximately 82.8% (2022: approximately 84.9%) of the total assets of the Group. Capital expenditure in the fabric operation during the Year accounted for 52.2% (2022: 96.5%) of the total capital expenditure of the Group.

## **Significant Investment**

As at 31 December 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**

On 5 January 2023, the Group entered into an agreement in principle and a share transfer agreement with two independent third parties respectively in relation to the acquisition (the "Acquisition") of 100% equity interests in Great Garment Vietnam Company Limited ("Great Garment Vietnam"), a company incorporated in Vietnam, for cash consideration of Vietnamese Dong 75,200,860,000 (equivalent to approximately HK\$22,582,800). Great Garment Vietnam is principally engaged in the manufacturing of garment products and its sole asset is a land plot located in Vietnam. Following completion of the Acquisition, which has yet to take place subject to the satisfaction of all the conditions precedent as at the date of this announcement, Great Garment Vietnam will become an indirect wholly-owned subsidiary of the Company. Further details of the Acquisition are set out in the announcement of the Company dated 5 January 2023.

Save as disclosed above, there was no material acquisition and disposal of subsidiaries, associates and joint ventures by the Group during the Year.

## **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 for the Year, nor were there any unutilised proceeds brought forward from any issue of equity securities made in previous financial years.

## **Contingent Liabilities**

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

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

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

## **ANNUAL GENERAL MEETING ("AGM")**

The AGM of the Company will be held at 23A, TML Tower, No. 3, Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong on Monday, 3 June 2024.

## **CLOSURE OF REGISTER OF MEMBERS**

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 29 May 2024 to Monday, 3 June 2024, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of shares of the Company should ensure that all transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 28 May 2024.

## **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 Year.

## **CORPORATE GOVERNANCE PRACTICES**

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 code provisions set out in Part 2 of Appendix C1 (Corporate Governance Code) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the Year.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") as set out in Appendix C3 of the Listing Rules as the code for securities transactions by Directors. Having made specific enquiry of all Directors, the Directors have confirmed that they have complied with the required standard set out in the Model Code for the Year.

## **AUDIT COMMITTEE**

The audit committee of the Company, 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, has reviewed the accounting principles and practices adopted by the Group and the annual results of the Group for the Year.

## **PRELIMINARY ANNOUNCEMENT OF THE GROUP'S RESULTS**

The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of financial position and the related notes thereto for the Year as set out in this preliminary announcement have been agreed by the Company's auditor, Ernst & Young (the "Auditor"), to the amounts set out in the Group's consolidated financial statements for the Year. The work performed by the Auditor in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by the Auditor on this preliminary announcement.

## **APPRECIATION**

Taking this opportunity, the Board would like to extend our gratitude to the management and all of our staff for their dedication and commitment, as well as our business partners, customers and shareholders for their continuous support for the Group during the Year.

## **GENERAL INFORMATION**

As at the date 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, 26 March, 2024