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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 2024

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 2024 (the “Period”), together with the comparative figures for the corresponding period in 2023, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

		Six months ended 30 June 2024	Six months ended 30 June 2023
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
REVENUE	2, 3	1,810,902	1,721,370
Cost of sales		(1,613,029)	(1,567,512)
Gross profit		197,873	153,858
Other income and gains, net	3	33,274	40,727
Selling and distribution expenses		(52,551)	(46,747)
Write-back of impairment losses/ (impairment losses) on financial assets, net		4,727	3,109
Administrative expenses		(138,618)	(157,321)
Other operating income, net		(8,735)	38,712
Finance costs		(31,766)	(45,946)

		Six months ended 30 June 2024 HK\$'000 (Unaudited)	Six months ended 30 June 2023 HK\$'000 (Unaudited)
	<i>Notes</i>		
PROFIT/(LOSS) BEFORE TAX	4	4,204	(13,608)
Income tax expense	5	<u>(234)</u>	<u>(11,629)</u>
PROFIT/(LOSS) FOR THE PERIOD		<u>3,970</u>	<u>(25,237)</u>
Attributable to:			
Ordinary equity holders of the Company		3,815	(24,726)
Non-controlling interests		<u>155</u>	<u>(511)</u>
		<u>3,970</u>	<u>(25,237)</u>
Interim dividend	6	<u>Nil</u>	<u>Nil</u>
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	7	<u>HK0.4 cents</u>	<u>HK(2.8) cents</u>
Diluted	7	<u>HK0.4 cents</u>	<u>HK(2.8) cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Six months ended 30 June 2024 HK\$'000 (Unaudited)	Six months ended 30 June 2023 HK\$'000 (Unaudited)
PROFIT/(LOSS) FOR THE PERIOD	3,970	(25,237)
OTHER COMPREHENSIVE EXPENSES		
Other comprehensive expenses may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	—	(131,974)
TOTAL COMPREHENSIVE INCOME/ (EXPENSES) FOR THE PERIOD	3,970	(157,211)
Attributable to:		
Ordinary equity holders of the Company	3,815	(156,700)
Non-controlling interests	155	(511)
	3,970	(157,211)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

		30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		939,975	1,000,920
Right-of-use assets		191,413	195,341
Interests in associates		1,412	1,480
Prepayments		3,829	4,282
Long-term receivables		38,953	38,348
Deposits paid		2,153	2,376
Deferred tax assets		39,269	39,478
		<hr/>	<hr/>
Total non-current assets		1,217,004	1,282,225
CURRENT ASSETS			
Properties under development		53,674	53,674
Inventories		995,206	888,436
Accounts and bills receivables	8	506,489	493,070
Prepayments, deposits and other receivables		91,588	95,783
Financial asset at fair value through profit or loss		231	224
Tax recoverable		4,950	5,047
Pledged deposits		45,662	45,539
Cash and cash equivalents		418,955	916,088
		<hr/>	<hr/>
Total current assets		2,116,755	2,497,861
CURRENT LIABILITIES			
Accounts and bills payables	9	598,434	678,829
Accrued liabilities and other payables		135,570	163,790
Due to an associate		947	947
Tax payable		560	847
Lease liabilities		5,238	5,283
Interest-bearing bank borrowings		569,144	883,770
		<hr/>	<hr/>
Total current liabilities		1,309,893	1,733,466
		<hr/>	<hr/>
NET CURRENT ASSETS		806,862	764,395
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<hr/>	<hr/>
		2,023,866	2,046,620

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	353,635	377,766
Lease liabilities	11,926	14,347
Deferred tax liabilities	3,884	4,056
	<hr/>	<hr/>
Total non-current liabilities	369,445	396,169
	<hr/>	<hr/>
Net assets	1,654,421	1,650,451
	<hr/>	<hr/>
EQUITY		
Equity attributable to ordinary equity holders of the Company		
Issued capital	86,992	86,992
Reserves	1,567,351	1,563,536
	<hr/>	<hr/>
	1,654,343	1,650,528
Non-controlling interests	78	(77)
	<hr/>	<hr/>
Total equity	1,654,421	1,650,451
	<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 2024 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 2023, 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 HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> (the “2020 Amendments”)
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</i> (the “2022 Amendments”)
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

The adoption of these revised HKFRSs in the Period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these interim condensed consolidated financial statements.

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.

	Fabric <i>HK\$'000</i>	Garment <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30 June 2024				
(Unaudited)				
Segment revenue:				
Revenue from external customers	1,477,142	333,760	–	1,810,902
Intersegment sales	61,229	–	–	61,229
	<u>1,538,371</u>	<u>333,760</u>	<u>–</u>	<u>1,872,131</u>
Elimination of intersegment sales				<u>(61,229)</u>
				<u><u>1,810,902</u></u>
Segment profit	30,858	212	197	31,267
Bank interest income	4,202	128	18	4,348
Finance costs (other than interest on lease liabilities)	(31,328)	(15)	–	(31,343)
Share of loss of an associate	–	(68)	–	(68)
	<u>3,732</u>	<u>257</u>	<u>215</u>	<u>4,204</u>
Income tax (expense)/credit	(67)	(288)	121	(234)
	<u>3,665</u>	<u>(31)</u>	<u>336</u>	<u>3,970</u>
Profit/(loss) for the period				
	<u><u>3,665</u></u>	<u><u>(31)</u></u>	<u><u>336</u></u>	<u><u>3,970</u></u>
As at 30 June 2024 (Unaudited)				
Assets and liabilities				
Segment assets	2,662,758	545,377	84,943	3,293,078
Interest in associates	–	1,412	–	1,412
Deferred tax assets	19,792	–	19,477	39,269
	<u>2,682,550</u>	<u>546,789</u>	<u>104,420</u>	<u>3,333,759</u>
Total assets	<u><u>2,682,550</u></u>	<u><u>546,789</u></u>	<u><u>104,420</u></u>	<u><u>3,333,759</u></u>
Segment liabilities	(1,591,903)	(80,050)	(3,501)	(1,675,454)
Deferred tax liabilities	(3,884)	–	–	(3,884)
	<u>(1,595,787)</u>	<u>(80,050)</u>	<u>(3,501)</u>	<u>(1,679,338)</u>
Total liabilities	<u><u>(1,595,787)</u></u>	<u><u>(80,050)</u></u>	<u><u>(3,501)</u></u>	<u><u>(1,679,338)</u></u>
Other segment information:				
Six months ended 30 June 2024				
(Unaudited)				
Depreciation of property, plant and equipment	103,867	6,802	360	111,029
Depreciation of right-of-use assets	2,278	–	–	2,278
Capital expenditure	27,654	15,292	3,373	46,319
	<u><u>27,654</u></u>	<u><u>15,292</u></u>	<u><u>3,373</u></u>	<u><u>46,319</u></u>

	Fabric HK\$'000	Garment HK\$'000	Others HK\$'000	Total HK\$'000
Six months ended 30 June 2023				
(Unaudited)				
Segment revenue:				
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>1,721,370</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>
Profit/(loss) before tax	(21,189)	8,342	(761)	(13,608)
Income tax (expense)/credit	(11,672)	(2)	45	(11,629)
	<u>(11,672)</u>	<u>(2)</u>	<u>45</u>	<u>(11,629)</u>
Profit/(loss) for the period	(32,861)	8,340	(716)	(25,237)
As at 31 December 2023 (Audited)				
Assets and liabilities				
Segment assets	3,109,875	542,994	86,259	3,739,128
Interest 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	<u>3,129,876</u>	<u>544,474</u>	<u>105,736</u>	<u>3,780,086</u>
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	<u>(2,030,870)</u>	<u>(95,478)</u>	<u>(3,287)</u>	<u>(2,129,635)</u>
Other segment information:				
Six months ended 30 June 2023				
(Unaudited)				
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>36,840</u>	<u>1,224</u>	<u>779</u>	<u>38,843</u>

Geographical information

(a) Revenue from external customers

	Six months ended 30 June 2024 HK\$'000 (Unaudited)	Six months ended 30 June 2023 HK\$'000 (Unaudited)
Korea	795,036	677,760
Chinese Mainland	281,639	310,009
Hong Kong	141,684	119,638
Singapore	137,956	89,610
Taiwan	80,562	103,689
United States	67,125	51,174
Vietnam	62,666	36,843
Others	244,234	332,647
	1,810,902	1,721,370

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

(b) Non-current assets

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Chinese Mainland	937,629	970,858
Cambodia	143,491	141,776
Hong Kong	15,570	47,567
Singapore	435	118
Others	41,657	44,080
	1,138,782	1,204,399

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:

	Six months ended 30 June 2024 HK\$'000 (Unaudited)	Six months ended 30 June 2023 HK\$'000 (Unaudited)
Customer A	319,916	227,247

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

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:

	Six months ended 30 June 2024 HK\$'000 (Unaudited)	Six months ended 30 June 2023 HK\$'000 (Unaudited)
Revenue from contracts with customers		
Production and sale of knitted fabric and dyed yarn	1,477,142	1,452,181
Production and sale of garment products and provision of related subcontracting services	333,760	269,189
	1,810,902	1,721,370
Other income		
Bank interest income	4,348	14,823
Subsidy income	48	9,616
Fee income from sewage treatment	12,061	10,353
Fee income from freight handling services	3,778	2,864
Others	13,033	3,392
	33,268	41,048
Gains/(losses), net		
Fair value gains/(losses):		
Financial assets at fair value through profit or loss – held for trading	6	(321)
Other income and gains	33,274	40,727

4. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended 30 June 2024 HK\$'000 (Unaudited)	Six months ended 30 June 2023 HK\$'000 (Unaudited)
Cost of inventories sold and services provided	1,613,029	1,567,512
Research and development costs	26,011	57,838
Depreciation of items of property, plant and equipment	111,029	154,603
Depreciation of right-of-use assets	2,278	6,473
Employee benefits expense (including directors' remuneration):		
Wages and salaries	253,536	246,224
Pension scheme contributions	24,783	24,788
	<u>278,319</u>	<u>271,012</u>
Loss on disposal of items of property, plant and equipment	298	395
Impairment/(write-back of impairment), net:		
Impairment/(write-back of impairment) of accounts receivable, net	(4,727)	(3,109)
Fair value losses:		
Financial assets at fair value through profit or loss – held for trading	(6)	321
Foreign exchange differences, net	<u>(2,620)</u>	<u>(48,497)</u>

5. INCOME TAX

	Six months ended 30 June 2024 HK\$'000 (Unaudited)	Six months ended 30 June 2023 HK\$'000 (Unaudited)
Current tax – Hong Kong		
Charge for the period	288	2
Current tax – Elsewhere		
Charge for the period	51	291
(Over)/underprovision in prior years	(142)	11,524
Deferred tax expense/(credit)	<u>37</u>	<u>(188)</u>
Total tax charge for the period	<u>234</u>	<u>11,629</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 2023: 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 2023: HK\$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% (six months ended 30 June 2023: 8.25%) and the remaining assessable profits are taxed at 16.5% (six months ended 30 June 2023: 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 2024 and 30 June 2023, 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 2023: Nil).

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

The calculation of basic earnings per share amount for the Period is based on the profit for the Period attributable to ordinary equity holders of the Company of HK\$3,815,000 and 869,919,000 ordinary shares in issue during the Period.

The calculation of basic loss per share amount for the period ended 30 June 2023 was 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 ended 30 June 2023.

The Group had no potentially dilutive ordinary shares in issue for the periods ended 30 June 2024 and 30 June 2023.

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:

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Within 1 month	318,966	302,287
1 to 2 months	115,818	117,450
2 to 3 months	45,344	39,159
Over 3 months	26,361	34,174
	<hr/> 506,489 <hr/>	<hr/> 493,070 <hr/>

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:

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Within 3 months	505,913	609,428
3 to 6 months	88,932	66,393
Over 6 months	3,589	3,008
	598,434	678,829

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

In the first half of 2024, the textile and garment industry faced persistent challenges due to high interest rates, geopolitical tensions, and inflationary pressures. Despite the United States (“U.S.”) retailers have completed destocking initiatives in late 2023, which has led to notable import growth of 4.2% in the first half of 2024, logistics disruptions from conflicts in the Red Sea strained timely shipments. Strong demand for container transport was met with supply issues such as missed sailings, longer routes, equipment shortages, and port congestion in Asia, contributing to sector uncertainty.

In the U.S., inflation decreased to 3% in June 2024 from 3.3% over the previous year but remained above the Federal Reserve’s 2% target. High inflation and a 7% mortgage rate dampened consumer sentiment and increased living costs. Credit card debt hit a record of US\$1.14 trillion, with delinquencies rising to 9.1%, driven mainly by economic depression.

China experienced a slower-than-expected market recovery and high interest rates, weakening consumer sentiment and domestic demand. This shift led to reduced purchases and a trend toward consumption downgrade, creating a challenging landscape for textile and garment manufacturers.

BUSINESS OVERVIEW

In the first half of 2024, the Group’s textile and garment business mirrored the industry’s challenges. Despite this, overall revenue saw a year-on-year (“yoy”) increase of approximately 5.2% to HK\$1,810.9 million, with gross profit increased by approximately 28.6% yoy to approximately HK\$197.9 million. The Group achieved a profit attributable to ordinary equity holders of HK\$3.8 million, showing a significant improvement from the net loss attributable to ordinary equity holders of HK\$24.7 million in the same period of 2023. The basic earnings per share for the Period was approximately HK0.4 cents, compared to a basic loss per share of HK2.8 cents for the six months ended 30 June 2023.

For the Period, revenue generated from textile business and garment business accounted for approximately 81.6% and 18.4% of the overall revenue respectively. The textile business was mostly supported by the Group’s two production sites in Enping and Nansha in China and a manufacturing partner in Vietnam, while the factories in Cambodia mainly manufactured garment products.

During the first quarter of 2024, the Group saw an initial uptick in demand for stock replenishment from customers following last year’s retail destocking, though the pace of orders stagnated in the second quarter. Despite this, increased order volume improved the Group’s production utilization and margins. The resumption of brand customer demand allowed the Group to upgrade its product mix, with higher-margin orders accounting for a greater proportion, thereby improving profitability. However, intense competition on the supply side and weak global demand kept product prices under pressure.

Throughout the first half of 2024, the Red Sea crisis exacerbated the challenging global environment, causing logistical disruptions periodically. In June, container ship transits dropped by 67%, leading to delays that impacted the Group's order delivery. Additionally, brands tended to delay their order placings because of the uncertainties in the market, resulting in an elevated inventory level which stood at 995.2 million as of 30 June 2024, a 12.0% increase from the previous year. The repayment of a HK\$1,300 million bank loan last year significantly reduced the Group's borrowings and finance costs, contributing to a profit turnaround despite ongoing challenges.

Continuing its commitment to a multi-location manufacturing strategy, the Group strengthened its offshore production network in Southeast Asia during the first half of 2024. References are made to the announcements of the Company dated 8 January 2024 and 28 June 2024 in relation to the cooperation agreements on textile and fabric manufacturing entered into by the Group. Following its partnership with CÔNG TY TNHH THIÊN PHÚC THÀNH, a specialised dyeing facility in Vietnam, the Group further expanded its production capacity by signing a framework cooperation agreement with The HOA Textile And Garment Company Limited, a synthetic fabric manufacturing company in Vietnam, in June 2024 as disclosed in the aforesaid announcements. With growing manufacturing capacity in Vietnam, the Group's "China + Vietnam + Cambodia" production model is well-received by customers, offering a seamless, multi-location manufacturing solution that aligns with the growing supply chain diversification needs. These strategic developments enhance the competitiveness of the Group, so as to respond more swiftly to market fluctuations and regional economic conditions. By leveraging our extensive network and resources, the Group is committed to providing high quality products and services so as to meet the changing needs of customers.

The Group holds hope for the future and explores more opportunities as we continue to strengthen our position in the textile and garment industry. The continued investment in capacity expansion and technological advancement will enable the Group to better serve our customers and contribute to their success.

PROSPECTS

The Group maintains a cautiously optimistic outlook for the latter half of 2024 amidst a complex global economic landscape. Despite ongoing challenges such as geopolitical tensions, inflationary pressures, and periodic disruptions from the Red Sea crisis, there are encouraging signs of economic improvement. Notably, the U.S. inflation rate has shown a gradual decline, reaching 3% in July 2024, which reflects a significant improvement from its peak of 9.1% in June 2022, signaling progress towards the Federal Reserve's 2% target. The anticipated interest rate reduction in the latter half of 2024 is also expected to contribute to a decrease in overall living costs and a rebound of consumer sentiment. Coupled with the World Bank's upward revision of its global economic growth forecast from 2.4% to 2.6%, all these underscore growing confidence in the world's economic resilience.

As the Group enters the third quarter, it is experiencing an increase in its order book, primarily driven by retailers' preparations for the next spring/summer season. With its "China + Vietnam + Cambodia" production triangle and its integrated textile and garment solutions, the Group is in an advantageous position to garner greater market share and secure higher-value bulk orders from brand customers. The integrations with the manufacturing partners in Vietnam are in good progress and the Group is committed to implementing their best practices in production, quality assurance systems, and training initiatives across these facilities. This ensures that product quality aligns with the Groups' international standards. Therefore, the approach aims to create in Vietnam a successful replicate of the Group's integrated manufacturing base in China, thereby reinforcing its multi-location manufacturing solutions.

Aligning with the Group's light-asset approach in its expansion in Vietnam, the Group entered into an agreement to sell the entire equity interests in a subsidiary which holds the property interests of a land in Vietnam for a cash consideration of USD10,276,000 (equivalent to approximately HK\$80,152,800). The Group is expected to record a gain on disposal of approximately HK\$31,732,500 in the second half of the year.

In conclusion, the Group remains dedicated to navigating the dynamic business environment with a resilient business model and improved production capabilities. The Company sees potential emerging from market consolidation, which may squeeze out underperforming competitors during economic instability. The Group is well-positioned to seize future market opportunities. By offering comprehensive, one-stop integrated solutions for customers, the Group is set to drive sustainable development in the coming years.

FINANCIAL REVIEW

Revenue

Overall sales turnover during the Period was approximately HK\$1,810.9 million, representing an increase of approximately 5.2% (six months ended 30 June 2023: approximately HK\$1,721.4 million). The increase was mainly attributable to the increase in sales volume. After two years of destocking in the entire industry, brands are gradually replenishing inventory recently. Therefore, there is an increase in demand for garments and fabrics and the number of orders increased compared to the same period last year.

Gross Profit and Gross Profit Margin

Gross profit during the Period was approximately HK\$197.9 million, representing an increase of approximately 28.6% (six months ended 30 June 2023: approximately HK\$153.9 million). Gross profit margin increased to approximately 10.9% (six months ended 30 June 2023: approximately 8.9%). This was mainly attributable to good margin orders accounting for a high proportion of all the orders compared to the same period last year.

Other Income and Gains, Net

Other income and gains, net during the Period of approximately HK\$33.3 million (six months ended 30 June 2023: approximately HK\$40.7 million) mainly comprised income received from provision of sewage treatment of approximately HK\$12.1 million (six months ended 30 June 2023: approximately HK\$10.4 million), fee income from freight handling services of approximately HK\$3.8 million (six months ended 30 June 2023: approximately HK\$2.9 million), subsidy income of approximately HK\$0.1 million (six months ended 30 June 2023: approximately HK\$9.6 million), bank interest income of approximately HK\$4.3 million (six months ended 30 June 2023: approximately HK\$14.8 million). The remaining balance mainly derived from sales of scrap.

Selling and Distribution Expenses

Selling and distribution expenses during the Period increased to approximately HK\$52.6 million (six months ended 30 June 2023: approximately HK\$46.7 million). The increase in expenses is in line with increase in sales.

Administrative Expenses

Administrative expenses, including salaries, depreciation, customs declaration and other related expenses, decreased to approximately HK\$138.6 million during the Period (six months ended 30 June 2023: approximately HK\$157.3 million). At the end of last year, there was an organisational restructuring, resulting in a decrease in the overall number of employees. In the first half of this year, salaries dropped compared to the same period last year. In response to the current economic environment, the Group continues to optimize its internal structure to enhance efficiency and reduce costs.

Other Operating Income/Expenses, Net

During the Period, other operating expenses, net was approximately HK\$8.7 million (six months ended 30 June 2023: other operating income, net, approximately HK\$38.7 million), mainly comprising operating expenses on sewage treatment of approximately HK\$11.0 million (six months ended 30 June 2023: approximately HK\$10.9 million) and foreign exchange gain of approximately HK\$2.6 million (six months ended 30 June 2023: approximately HK\$48.5 million).

Finance Costs

Finance costs for the Period were approximately HK\$31.8 million (six months ended 30 June 2023: approximately HK\$45.9 million), comprising interest on bank loans of approximately HK\$21.4 million (six months ended 30 June 2023: approximately HK\$37.5 million), amortization of bank charges on syndicated loans of approximately HK\$1.0 million (six months ended 30 June 2023: approximately HK\$2.8 million), interest on trade loan and discounted bills of approximately HK\$8.9 million (six months ended 30 June 2023:

approximately HK\$5.2 million) and interest on lease liabilities of approximately HK\$0.4 million (six months ended 30 June 2023: approximately HK\$0.4 million). The decrease in finance costs was mainly due to decrease in total bank borrowings compared to the same period last year.

Net Profit/Loss

Net profit attributable to ordinary equity holders of the Company for the Period was approximately HK\$3.8 million (net loss attributable to ordinary equity holders of the Company for the six months ended 30 June 2023 was approximately HK\$24.7 million). The turnaround to profit is primarily attributable to the increase in sales, the improved gross profit margin and the decrease in finance costs as mentioned above.

Liquidity and Financial Resources

As at 30 June 2024, the Group's net current assets were approximately HK\$806.9 million (31 December 2023: approximately HK\$764.4 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 2024, the Group had cash and cash equivalents of approximately HK\$419.0 million (31 December 2023: approximately HK\$916.1 million). Current ratio as at 30 June 2024 was approximately 1.6 times (31 December 2023: approximately 1.4 times).

As at 30 June 2024, total bank borrowings of the Group were approximately HK\$922.8 million (31 December 2023: approximately HK\$1,261.5 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 2024 was approximately 43.2% (31 December 2023: approximately 42.3%). 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 2024, the Group's long-term loans were approximately HK\$353.6 million (31 December 2023: approximately HK\$377.8 million), comprising term loans from banks.

Interim Dividend

The Board has resolved not to recommend the payment of an interim dividend for the Period (six months ended 30 June 2023: Nil).

Foreign Exchange Risk and Interest Rate Risk

Approximately 83.1% (six months ended 30 June 2023: approximately 78.8%) 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 2024, none of the Group's land and buildings were pledged (31 December 2023: Nil).

Capital Expenditure

For the Period, the Group invested approximately HK\$46.3 million (six months ended 30 June 2023: approximately HK\$38.8 million) in capital expenditure of which approximately 74.4% (six months ended 30 June 2023: approximately 98.2%) 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 2024, the Group had capital commitments of approximately HK\$22.9 million (31 December 2023: approximately HK\$22.0 million) in property, plant and equipment and right-of-use assets and nil (31 December 2023: approximately HK\$176.2 million) in construction of new manufacturing facilities. All are funded or will be funded by internal resources.

Contingent Liabilities

As at 30 June 2024, the Group did not have any significant contingent liabilities (31 December 2023: Nil).

Significant Investment

As at 30 June 2024, 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

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

Event after the Reporting Period

On 18 July 2024, the Group entered into an agreement to sell the entire equity interests in Great Market Global Viet Nam Company Limited* (the “**Target Company**”), a subsidiary which holds the property interests of a land in Vietnam, for a cash consideration of USD10,276,000 (equivalent to approximately HK\$80,152,800). Upon completion of the disposal, the Target Company will cease to be a subsidiary of the Company. Details of the disposal are set out in the announcement of the Company dated 18 July 2024 and the circular of the Company dated 22 August 2024.

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.

Staff Policy

The Group had 3,786 (31 December 2023: 3,806) employees in the PRC, 3,431 employees in Cambodia (31 December 2023: 2,734) and 112 employees in Hong Kong, Macau, Singapore and other territories (31 December 2023: 116) as at 30 June 2024. 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 English name is provided for identification purpose only

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.

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 (including the sale of treasury shares) during the Period. As at 30 June 2024, there were no treasury shares (as defined under the Listing Rules) held by the Company.

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 C1 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 C3 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.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.kamhingintl.com). The interim report of the Company for the six months ended 30 June 2024 will be dispatched to shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

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, 28 August 2024