KINGMAKER

KINGMAKER FOOTWEAR HOLDINGS LIMITED
信星鞋業集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 01170)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

FINANCIAL HIGHLIGHTS

	For the six months ended 30 September		
	2024	2023	Change
	HK$'000	*HK$'000*	
Revenue	**326,065**	383,032	–14.9%
Gross profit	**2,956**	21,819	–86.5%
Gross profit margin	**0.9%**	5.7%	–4.8 points
Profit/(loss) for the period attributable to equity holders of the Company	**(12,967)**	21,909	N/A
	(HK cents)	*(HK cents)*	
Basic earnings/(loss) per share	**(1.93)**	3.24	N/A
Proposed interim and special interim dividends			
Interim dividend per share	**–**	1.5	
Special interim dividend per share	**2.0**	0.5	
Total dividends per share for the period	**2.0**	2.0	–%

- Cash and cash equivalents of approximately HK$323 million

* *For identification purposes only*

UNAUDITED INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Kingmaker Footwear Holdings Limited (the "Company") is pleased to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 September 2024, together with the comparative figures for the corresponding period in 2023 and the relevant explanatory notes as set out below. The condensed consolidated results are unaudited, but have been reviewed by the audit committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2024

		For the six months ended 30 September	
		2024	2023
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*2*	**326,065**	383,032
Cost of sales		**(323,109)**	(361,213)
Gross profit		**2,956**	21,819
Other income and gains, net		**18,147**	34,642
Distribution and selling expenses		**(7,200)**	(7,011)
Administrative expenses		**(36,618)**	(36,342)
Finance costs	*3*	**(99)**	(52)
Share of profits of associates		**5,778**	13,609
PROFIT/(LOSS) BEFORE TAX	*4*	**(17,036)**	26,665
Income tax credit/(expense)	*5*	**3,454**	(4,603)
PROFIT/(LOSS) FOR THE PERIOD		**(13,582)**	22,062
ATTRIBUTABLE TO:			
Equity holders of the Company		**(12,967)**	21,909
Non-controlling interests		**(615)**	153
		(13,582)	22,062

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

For the six months ended 30 September 2024

		For the six months ended 30 September	
		2024	2023
	Notes	**(Unaudited)**	(Unaudited)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:	*6*		
Basic		**HK(1.93) cents**	HK3.24 cents
Diluted		**HK(1.93) cents**	HK3.23 cents

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2024

	For the six months ended 30 September	
	2024	2023
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT/(LOSS) FOR THE PERIOD	**(13,582)**	22,062
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Other comprehensive income/(expense) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**9,071**	(31,458)
Asset revaluation reserve:		
Loss on revaluation of land and buildings	**(1,382)**	–
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD	**7,689**	(31,458)
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD	**(5,893)**	(9,396)
ATTRIBUTABLE TO:		
Equity holders of the Company	**(5,278)**	(9,549)
Non-controlling interests	**(615)**	153
	(5,893)	(9,396)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2024

		As at	
		30 September 2024	31 March 2024
		(Unaudited)	(Audited)
	Notes	***HK$'000***	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**120,850**	135,190
Right-of-use assets		**65,932**	63,855
Investment properties		**485,782**	473,347
Investments in associates		**119,957**	114,180
Investments in club memberships		**1,733**	1,753
Total non-current assets		**794,254**	788,325
CURRENT ASSETS			
Inventories		**98,307**	81,206
Accounts receivable	*8*	**170,122**	167,476
Prepayments, deposits and other receivables		**13,492**	14,640
Due from an associate		**41,929**	41,929
Tax recoverable		**213**	289
Cash and cash equivalents		**323,345**	415,580
Total current assets		**647,408**	721,120

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 September 2024

		As at	
		30 September	31 March
		2024	2024
		(Unaudited)	(Audited)
	Notes	***HK\$'000***	*HK\$'000*
CURRENT LIABILITIES			
Accounts payable	*9*	**98,421**	101,702
Accrued liabilities, other payables and contract liabilities		**75,975**	82,751
Lease liabilities		**2,106**	1,569
Tax payable		**36,592**	40,175
Total current liabilities		**213,094**	226,197
NET CURRENT ASSETS		**434,314**	494,923
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,228,568**	1,283,248
NON-CURRENT LIABILITIES			
Lease liabilities		**2,823**	530
Deposits received		**6,291**	6,161
Deferred tax liabilities		**90,157**	90,957
Total non-current liabilities		**99,271**	97,648
Net assets		**1,129,297**	1,185,600
EQUITY			
Equity attributable to equity holders of the Company			
Issued share capital		**67,752**	68,074
Reserves		**1,049,269**	1,104,635
		1,117,021	1,172,709
Non-controlling interests		**12,276**	12,891
Total equity		**1,129,297**	1,185,600

Notes:

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

These unaudited interim condensed consolidated financial information for the six months ended 30 September 2024 has been prepared in accordance with the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Hong Kong Accounting Standard ("HKAS") 34 "*Interim Financial Reporting*" issued by the Hong Kong Institute of Certified Public Accountants. These unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 March 2024.

The accounting policies adopted in the preparation of these interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's consolidated financial statements for the year ended 31 March 2024, except for adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") effective as of 1 April 2024.

Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*
Amendments to HKAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*

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

2. OPERATING SEGMENT INFORMATION

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

(a) manufacturing and sale of footwear products; and

(b) property investment.

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

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

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

The following tables present revenue, results and certain assets, liabilities and expenditure information for the Group's operating segments for the six months ended 30 September 2024 and 2023.

	Manufacturing and sale of footwear products For the six months ended 30 September		**Property investment For the six months ended 30 September**		**Consolidated For the six months ended 30 September**	
	2024	2023	**2024**	2023	**2024**	2023
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue						
Sales to external customers	**326,065**	383,032	**–**	–	**326,065**	383,032
Rental income	**–**	–	**12,839**	13,781	**12,839**	13,781

2. OPERATING SEGMENT INFORMATION (Continued)

	Manufacturing and sale of footwear products For the six months ended 30 September		Property investment For the six months ended 30 September		Consolidated For the six months ended 30 September	
	2024	2023	**2024**	2023	**2024**	2023
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment results	**(25,108)**	(1,821)	**4,176**	24,757	**(20,932)**	22,936
Unallocated income and gains/(loss), net					**(128)**	62
Interest income					**9,355**	9,487
Unallocated expenses					**(5,331)**	(5,820)
Profit/(loss) before tax					**(17,036)**	26,665
Income tax credit/(expense)					**3,454**	(4,603)
Profit/(loss) for the period					**(13,582)**	22,062

	Manufacturing and sale of footwear products		Property investment		Consolidated	
	30 September 2024	31 March 2024	**30 September 2024**	31 March 2024	**30 September 2024**	31 March 2024
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Assets and liabilities						
Segment assets	**626,063**	612,949	**487,709**	473,516	**1,113,772**	1,086,465
Unallocated assets					**327,890**	422,980
Total assets					**1,441,662**	1,509,445
Segment liabilities	**151,946**	158,945	**96,328**	96,984	**248,274**	255,929
Unallocated liabilities					**64,091**	67,916
Total liabilities					**312,365**	323,845

3. FINANCE COSTS

	For the six months ended 30 September	
	2024	2023
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on lease liabilities	**99**	52

4. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended 30 September	
	2024	2023
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories sold	**175,665**	238,161
Depreciation of property, plant and equipment	**9,675**	12,484
Depreciation of right-of-use assets	**1,889**	1,540
Amortisation of club memberships	**20**	24
Impairment of items of property, plant and equipment	**1,066**	480
Impairment allowance of accounts receivable	**291**	1,369
Fair value loss/(gain) on revaluation of investment properties	**6,507**	(12,665)
Bank interest income	**(9,075)**	(9,382)
Interest income from accounts receivable	**(280)**	(105)

5. INCOME TAX

	For the six months ended 30 September	
	2024	2023
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current		
– Elsewhere	**(2,654)**	(350)
Deferred	**(800)**	4,953
Total tax expense/(credit)	**(3,454)**	4,603

Hong Kong profits tax has been provided at the rate of 16.5% (2023: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

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

The calculation of the basic loss per share (six months ended 30 September 2023: basic profit per share) amount is based on the loss for the period attributable to equity holders of the Company of HK$12,967,000 (six months ended 30 September 2023: profit of HK$21,909,000), and the weighted average number of ordinary shares of 672,442,776 (six months ended 30 September 2023: 675,661,958) in issue during the period, as adjusted to reflect the number of shares of 6,624,000 (six months ended 30 September 2023: 6,732,000) held under the share award scheme of the Company.

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

	For the six months ended 30 September	
	2024	2023
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Earnings/(loss)		
Profit/(loss) attributable to equity holders of the Company	**(12,967)**	21,909

	Number of shares For the six months ended 30 September	
	2024	2023
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares used in calculating the basic earnings per share	**672,442,776**	675,661,958
Effect of dilution–weighted average number of ordinary shares:		
Share options	**37,982**	341,291
Share awards	**–**	2,119,289
Weighted average number of ordinary shares used in calculating the diluted earnings per share	**672,480,758**	678,122,538

7. DIVIDENDS

	For the six months ended 30 September	
	2024	2023
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Dividends paid during the period		
Final in respect of the financial year ended 31 March 2024		
– HK0.2 cent (2023: HK2.0 cents) per ordinary share	**1,345**	13,496
Special final in respect of the financial year ended 31 March 2024		
– HK6.8 cents (2023: HK0.2 cent) per ordinary share	**45,712**	1,350
	47,057	14,846
Proposed interim and special interim dividends		
Interim – Nil (2023: HK1.5 cents) per ordinary share	**–**	10,214
Special interim – HK2.0 cents (2023: HK0.5 cent) per ordinary share	**13,550**	3,405
	13,550	13,619

The special interim dividend was declared after the period ended 30 September 2024, and therefore have not been included as a liability in the condensed consolidated statement of financial position. The special interim dividend will be paid to the shareholders whose names appear in the register of members on 6 January 2025.

8. ACCOUNTS RECEIVABLE

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

8. **ACCOUNTS RECEIVABLE (Continued)**

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

	As at 30 September 2024 (Unaudited)	As at 31 March 2024 (Audited)
	HK$'000	*HK$'000*
Within 90 days	**129,649**	121,214
Between 91 and 180 days	**40,471**	45,960
Between 181 and 365 days	**2**	302
	170,122	167,476

9. **ACCOUNTS PAYABLE**

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

	As at 30 September 2024 (Unaudited)	As at 31 March 2024 (Audited)
	HK$'000	*HK$'000*
Within 90 days	**69,520**	66,030
Between 91 and 180 days	**26,934**	33,985
Between 181 and 365 days	**444**	48
Over 365 days	**1,523**	1,639
	98,421	101,702

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

Kingmaker Footwear is a premier manufacturer focusing on the specialist production of high-end lifestyle footwear, catering to the needs of major activewear brands worldwide.

During the six months ended 30 September 2024 (the "Period"), the Group's key export markets continued to be challenged by generally soft retail conditions, which maintained a subdued order pipeline throughout the Period. Meanwhile, the Group has opted to retain a relatively stable workforce within its production centers in southern Vietnam and Cambodia in order to secure its order fulfillment capability amid difficulties in recruiting skilled labor. This strategic stance is intended to position the Group for future order recovery, and aligns with ongoing business development efforts to enhance its product portfolio.

Despite the present challenges in securing sizeable orders for products in the higher price range, the Group has remained steadfast in its long-term goal of pursuing value growth to fully leverage its advanced manufacturing capabilities and core competencies.

The remainder of the year ending 31 March 2025 ("FY2025") is anticipated to be challenging, but the Board believes that the Group's resilience and adaptive strategies would position it to yield an enhanced performance as market conditions strengthen.

Revenue

The Group reported a revenue of approximately HK$326.1 million (2023: approximately HK$383.0 million) for the Period, a decrease of 14.9% year on year. This drop in revenue was attributed to a 8.5% contraction in business volume coupled with a 7.4% reduction in the average selling price ("ASP").

Gross Profit

Strict cost controls continued to be implemented to safeguard financial stability, but the decline in order volume has significantly disrupted the Group's economies of scale, with the proportionate fixed costs, in particular labor, having increased.

During the Period, the Group's gross profit decreased by 86.5% to approximately HK$3.0 million (2023: approximately HK$21.8 million), mainly attributable to:

(i) diminished economies of scale as a result of the revenue decrease, which led to higher proportionate fixed costs;

(ii) a notable rise in labor costs for the Period compared to the corresponding period in the preceding year; and

(iii) a reduction in ASP due to the overall weakness in the retail end.

Net Loss/Profit

The Group reported a net loss attributable to equity holders of the Company of approximately HK$13.0 million (2023: profit of approximately HK$21.9 million). The net loss incurred took into account:

(i) reduced share of profit of associates to approximately HK$5.8 million (2023: approximately HK$13.6 million) contributed by the Group's associated company operating in central Vietnam;

(ii) a net fair value loss of approximately HK$6.5 million for the Period (2023: gain of approximately HK$12.7 million) on revaluation of the Group's investment properties in the Chinese mainland and Hong Kong; and

(iii) an impairment loss of approximately HK$1.1 million recognized for disposal of property, plant and equipment.

Key Financial Ratios

The Group maintained healthy financial ratios during the Period:

- Debtors' turnover increased from 61 days for the six months ended 30 September 2023 to 93 days for the Period;

- Creditors' turnover decreased to 93 days (2023: 116 days);

- Stock turnover decreased to 92 days (2023: 103 days);

- A healthy liquidity position with net cash in hand of approximately HK$323 million as at 30 September 2024 (31 March 2024: approximately HK$416 million); and

- Current and quick ratios were 3.0 and 2.6 respectively (2023: 3.1 and 2.7 respectively).

Interim and Special Interim Dividends

Through prudent management of working capital, the Company has preserved a solid financial position. In acknowledgment of this and to return value to shareholders, the Board has resolved to declare a special interim dividend of HK2.0 cents per ordinary share (2023: HK0.5 cent). The Board does not recommend the payment of an interim dividend (2023: HK1.5 cents) for the Period.

OPERATIONAL PERFORMANCE

Over the course of the Period, the Group's manufacturing business continued to encounter significant headwinds, largely due to subdued retail sentiment in the core markets of our branded clients. This situation was exacerbated by the uncertainty arising from ongoing geopolitical conflicts and tensions worldwide. In response, our clients have exercised increased caution in their procurement planning, leading to a sustained shift in the Group's order book toward rapid turnaround and decreased batch sizes. This procurement pattern has persistently constrained the production centers' economies of scale.

Despite this demanding operating landscape, the Group has moved further forward with its strategy to seek value growth through product portfolio enhancement. Business development efforts in this direction have helped expand the Group's client base, with the addition of two more labels to the portfolio during the Period. To counteract cost and skilled worker recruitment pressures, the Group has strengthened its automation, lean manufacturing, and other process streamlining initiatives.

Manufacturing Business

Maintaining geographic diversity, the Group operates two core manufacturing sites in southern Vietnam and Cambodia, both equipped with research and development ("R&D") facilities. In addition, the Group holds a 40% interest in a joint-venture factory in central Vietnam.

As at 30 September 2024, the Group had a combined production scale of 21 processing lines in operation, mostly under the concept-line setup. They contributed an annual capacity of about 7 million pairs of footwear, and were 58.3% utilized in the Period (2023: 60.1%).

As at the Period-end date, the Group had 10 concept lines and 3 traditional lines in operation in southern Vietnam. Coupled with the 8 concept lines in operation in Cambodia, this robust, multi-location production platform provides the Group with the flexibility and capacity needed to meet clients' sourcing plans in terms of product specification and country of manufacture.

Capacity expansion is not currently on the agenda, but the Group remains committed to long-term capability upgrading, aiming to enhance its competitive position by elevating product sophistication and achieving cost efficiencies.

The geographical distribution of markets continued to be demand-led, while at the same time, the Group supports client initiatives to develop markets with promising prospects. During the Period, contribution from the US generated 23.8% (2023: 32.4%) of the Group's revenue. Europe's proportionate contribution increased to 40.9% (2023: 22.7%), and shipments to other markets, including Asia and other areas, accounted for 35.3% (2023: 44.9%).

The rugged-shoe category remained the major revenue contributor during the Period, producing 67.5% (2023: 77.0%) of total revenue. The proportionate contribution of premium casual footwear remained relatively stable at 18.7% (2023: 15.2%). Revenue generated by babies' and children's footwear increased proportionately to 13.8% (2023: 7.8%).

Aligning with its strategy of prioritizing value growth, the Group continues to focus on strategic client relationships and expansion of its clientele portfolio. Major customers for the Period included Cat, Chaco, Dr. Martens, Merrell, and Wolverine, which in aggregate contributed 71.8% (2023: 96.9%) of total revenue. The Group is also proactively developing business partnerships with brands that have a strong financial background and growth prospects. Two activewear brands of higher ASP were introduced to the Group's portfolio during the Period. Their products are more complex in make-up and require a higher skill-set level in R&D and manufacturing.

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

Southern Vietnam

The southern Vietnam manufacturing center includes the main operating facilities and adjacent premises that house R&D and other manufacturing support activities. An additional site is currently undergoing further planning.

This location contributed 52.6% (2023: 51.2%) of total volume output and remained the core center for producing more sophisticated fashion footwear. To reduce manpower and material wastage, the Group has continued to invest in and expand computerized leather cutting at this center. By introducing automation into the cutting process, resources can be utilized more efficiently, resulting in further cost savings and the promotion of sustainable manufacturing practices.

Cambodia

The Cambodia site has demonstrated advancements in its ability to manage more complex production processes. Leveraging relatively lower labor costs, and with support from branded clients, some labor-intensive tasks, such as stitching, have been relocated to Cambodia.

This center's proportionate contribution maintained at around 47.4% (2023: 48.8%) of total output in pairs during the Period, yielding a higher ASP comparable with that of the southern Vietnam center.

Investment in Associates

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

Investments made over the past few years have given this site a solid capacity to meet more sophisticated production requirements. As at the Period-end date, the associate operated a total of 39 production lines, designated for world-leading footwear brands Crocs and Columbia.

Revenue increased to HK$621.5 million (2023: approximately HK$416.2 million) during the Period on the back of a strong order pipeline. During the Period, the associated company was entrusted with the production of newer, more sophisticated products which necessitated investments in R&D and trial production. The more complex production processes also resulted in an increased consumption of materials and labor time, which led to a decrease in earnings in the interim. The joint venture contributed a share of profit of associates of approximately HK$5.8 million (2023: approximately HK$13.6 million) to the Group.

Anticipating a robust line-up of potential orders, the associated company is gearing up for a phased expansion of its production capacity over the coming two to three years. The capital expenditure will primarily be financed by internal resources. This joint-venture operation, equipped with niche expertise, has demonstrated resilience in the face of multiple market challenges. The Board maintains complete confidence in its long-term prospects.

Investment Properties

Based on the Group's ongoing business requirements and capacity planning, certain wholly owned factories and office properties at times may not be fully utilized. The Board regularly considers the sale or leasing options and potential of these properties to create returns on this portfolio. This will help the Group make good use of the unutilized properties to generate additional stable income to enhance working capital, and where feasible, realize the investment value of its assets.

In Zhuhai, the Chinese mainland, following the relocation of the R&D center, the vacated factory space has been leased out with its rental income expected to be reflected in the second half of FY2025.

With the investment portfolio fully leased out, the Board considers that it is producing a consistent stream of recurrent income. The Group recognizes the challenges faced by some tenants amid the tough business landscape, and has implemented more flexible rental payment arrangements for some of them.

During the Period, this portfolio of assets yielded gross rental income of approximately HK$12.8 million (2023: approximately HK$13.8 million).

Talent Development

The Group highly values its diverse staff team, which possesses a wide array of specialist skills across various business units. Driven by client needs, the team is integral to the Group's mission to build a world-class business partnering our clients' successes. To attract and retain talent, the Group offers competitive compensation packages, including share option and award schemes, as incentives and rewards for eligible participants contributing to the Group's achievements.

Our professional management team consistently shows commitment and resilience in addressing significant challenges. Through their effective leadership and crisis management abilities, the Group has navigated through difficult operational periods in recent years.

The multi-year focus on developing localized leadership at the manufacturing sites has proven effective in securing their resilient operation, especially in light of increasing difficulties in recruiting middle-management talent in these locations.

FUTURE PLANS AND PROSPECTS

Looking ahead to the second half of FY2025, the business environment for premium lifestyle footwear manufacturing will remain challenging. The softness in the order pipeline is likely to persist as procurement by branded clients continues to be cautious. Given the macroeconomic uncertainties, the trend toward fast and small procurement orders is expected to extend into the near and medium term.

To navigate this altered operating environment and mitigate the consequent pressure on profit margins, the Group is committed to maintaining resilience in business and financial management. The two production sites will remain focused on manufacturing process streamlining and automation to counter cost pressures while ensuring that quality standards are met. At the corporate level, the Group will continue to manage cash flow prudently to build up capital reserves to withstand market adversity. Capital expenditures will be carefully planned and controlled until there are more evident signs of sales recovery from clients.

At the same time, the Group's dedication to value growth and business development remains steadfast. During the Period, the Group broadened its client portfolio by securing partnerships with two new branded clients, signaling client recognition of its expertise and quality delivery, and the Group's strategic inroads into the segment of higher-value products. While these new partnerships may start modestly, they hold the potential to become more significant sources of business as market conditions improve. The Group is poised to grow with these new brands while navigating the challenging market landscape alongside its existing clients.

The Group is readying its capacity and work force, actively working together with clients on procurement planning that considers shifts in market sentiment and consumer preference. It is also dedicating resources to workforce upskilling and facility upgrades to meet the increasingly complex and versatile manufacturing demands of its enhanced product portfolio.

Sustainability remains a cornerstone of the Group's operations regardless of short-term market cycles. Sustainable manufacturing practices are embedded in both the daily standard procedures and in new initiatives to reduce the production carbon footprint. This commitment also includes compliance with strict guidelines to safeguard employee, product, and community safety.

The Group has devoted significant resources to establishing and continually enhancing its robust production platform, granting it a strong advantage in flexible and reliable procurement fulfillment, which is crucial to sustaining client partnerships. The Group is committed to staying adaptable to new market realities, while maintaining vigilance, ready to capitalize on emerging opportunities as the market sends more positive signals in the year to come.

Appreciation

I wish to express my heartfelt gratitude to my fellow directors, senior management and staff members for their dedication and diligence during these challenging times. I also wish to acknowledge and thank our business partners, clients and shareholders for their ongoing trust and support.

LIQUIDITY AND FINANCIAL RESOURCES

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

Prudent financial management and selective investment criteria have enabled the Group to maintain a strong financial position. As at 30 September 2024, the Group's cash and cash equivalents were approximately HK$323 million (as at 31 March 2024: approximately HK$416 million). As at 30 September 2024, the Group did not have any interest-bearing bank borrowings (as at 31 March 2024: Nil). The Group's gearing ratio (total bank borrowings to total equity) was Nil (as at 31 March 2024: Nil).

As at 30 September 2024, the Group had available banking facilities amounted to approximately HK$40 million (as at 31 March 2024: approximately HK$40 million), of which Nil (as at 31 March 2024: Nil) was utilized.

As at 30 September 2024, the current ratio was approximately 3.0 (as at 31 March 2024: approximately 3.2) based on current assets of approximately HK$647 million and current liabilities of approximately HK$213 million and the quick ratio was approximately 2.6 (as at 31 March 2024: approximately 2.8).

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

FOREIGN EXCHANGE RISK MANAGEMENT

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

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

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

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

CAPITAL STRUCTURE

Shareholders' equity decreased to approximately HK$1,117 million as at 30 September 2024 (as at 31 March 2024: approximately HK$1,173 million).

INTERIM AND SPECIAL INTERIM DIVIDENDS

On 29 November 2024, the Board has resolved to declare the payment of a special interim dividend of HK2.0 cents per ordinary share in respect of the six months ended 30 September 2024 to shareholders registered on the register of members on Monday, 6 January 2025, resulting in an appropriation of approximately HK$13.6 million. No interim dividend in respect of the Period was recommended by the Board. The special interim dividend will be payable on or about 27 January 2025.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 2 January 2025 to Monday, 6 January 2025, both days inclusive, during which period no transfer of shares shall be effected. In order to qualify for the special interim dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 31 December 2024.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the six months ended 30 September 2024, the Company repurchased 3,222,000 of its ordinary shares of HK$0.10 each on the Stock Exchange at an aggregate consideration of approximately HK$2,656,000 excluding transaction cost and 3,222,000 repurchased ordinary shares were cancelled during the Period. The repurchase of the Company's shares during the Period was effected by the Board, pursuant to the repurchase mandate granted by the shareholders, with a view to benefit shareholders as a whole by enhancing the net asset value per share and earnings per share of the Company.

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

Month/year	Number of shares repurchased	Highest price per share	Lowest price per share	Aggregated consideration (excluding transaction cost)
		HK$	*HK$*	*HK$'000*
April 2024	3,222,000	0.88	0.75	2,656
Total	3,222,000			2,656

The premium paid on the repurchased and cancelled shares of approximately HK$2,333,000 has been debited to the share premium account during the six months ended 30 September 2024. An amount equivalent to the par value of the shares cancelled has been transferred from the retained profits of the Company to the capital redemption reserve.

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

EMPLOYMENT AND REMUNERATION POLICIES

The Group, including its subsidiaries in Hong Kong, Taiwan, the PRC, Vietnam and Cambodia had a total number of employees of approximately 6,400 as at 30 September 2024 (30 September 2023: approximately 6,200). The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the respective companies and individuals concerned. Awarded shares and share options may also be granted in accordance to the terms of the Group's approved share award scheme and share option scheme. Details of the Group's remuneration pursuant to the share award scheme and the share option scheme during the period will be disclosed in the interim report.

CORPORATE GOVERNANCE

None of the Directors is aware of any information which would reasonably indicate that the Company is not, or was not, during the six months ended 30 September 2024, in compliance with the code provisions as set out in the Corporate Governance Code contained in Appendix C1 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange.

AUDIT COMMITTEE

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

The Committee has reviewed with the management, the accounting principles and practices adopted by the Group and discussed the Group's auditing, internal control and financial reporting matters during the Period. The Group's unaudited interim condensed consolidated financial information for the six months ended 30 September 2024 has been reviewed by the Committee, which was of the opinion that the preparation of such financial information complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Listing Rules as its code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, the Directors have confirmed their compliance with the required standard set out in the Model Code during the six months ended 30 September 2024.

PUBLICATION OF INTERIM REPORT

The interim report containing all the information required by Appendix D2 to the Listing Rules will be dispatched to the shareholders of the Company and available on the websites of the Stock Exchange at http://www.hkex.com.hk and the Company at http://www.irasia.com/listco/hk/kingmaker/interim/index.htm in due course.

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

Hong Kong, 29 November 2024

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