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

*(Incorporated in Bermuda with limited liability)*  
**(Stock Code: 01170)**

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

	For the six months ended		Change
	30 September		
	2023	2022	
	HK\$'000	HK\$'000	
Revenue	383,032	639,175	-40.1%
Gross profit	21,819	57,285	-61.9%
Gross profit margin	5.7%	9.0%	-3.3 points
<b>Profit for the period attributable to equity holders of the Company</b>	<b>21,909</b>	28,804	-23.9%
	(HK cents)	(HK cents)	
<b>Basic earnings per share</b>	<b>3.24</b>	4.28	
<b>Proposed interim and special interim dividends</b>			
Interim dividend per share	1.5	1.8	
Special interim dividend per share	0.5	0.5	
Total dividends per share for the period	<u>2.0</u>	<u>2.3</u>	-13.0%
<ul style="list-style-type: none"> <li>Net cash and cash equivalents of approximately HK\$430 million</li> </ul>			

\* 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 2023, together with the comparative figures for the corresponding period in 2022 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 2023*

		For the six months ended	
		30 September	
		2023	2022
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Revenue	2	383,032	639,175
Cost of sales		<u>(361,213)</u>	<u>(581,890)</u>
Gross profit		21,819	57,285
Other income and gains/(losses), net		34,642	(5,538)
Distribution and selling expenses		(7,011)	(12,493)
Administrative expenses		(36,342)	(36,061)
Finance costs	3	(52)	(76)
Share of profits of associates		<u>13,609</u>	<u>17,490</u>
<b>PROFIT BEFORE TAX</b>	4	<b>26,665</b>	20,607
Income tax credit/(expense)	5	<u>(4,603)</u>	<u>8,472</u>
<b>PROFIT FOR THE PERIOD</b>		<b><u>22,062</u></b>	<b><u>29,079</u></b>
<b>ATTRIBUTABLE TO:</b>			
Equity holders of the Company		21,909	28,804
Non-controlling interests		<u>153</u>	<u>275</u>
		<b><u>22,062</u></b>	<b><u>29,079</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

For the six months ended 30 September 2023

		For the six months ended	
		30 September	
		2023	2022
	<i>Notes</i>	(Unaudited)	(Unaudited)
<b>EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:</b>	<i>6</i>		
Basic		<u>HK3.24 cents</u>	<u>HK4.28 cents</u>
Diluted		<u>HK3.23 cents</u>	<u>HK4.27 cents</u>

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

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2023

	For the six months ended 30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>PROFIT FOR THE PERIOD</b>	<u>22,062</u>	<u>29,079</u>
<b>OTHER COMPREHENSIVE EXPENSE</b>		
Other comprehensive expense that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	<u>(31,458)</u>	<u>(57,426)</u>
<b>OTHER COMPREHENSIVE EXPENSE FOR THE PERIOD</b>	<u>(31,458)</u>	<u>(57,426)</u>
<b>TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD</b>	<u><u>(9,396)</u></u>	<u><u>(28,347)</u></u>
<b>ATTRIBUTABLE TO:</b>		
Equity holders of the Company	<u>(9,549)</u>	<u>(28,622)</u>
Non-controlling interests	<u>153</u>	<u>275</u>
	<u><u>(9,396)</u></u>	<u><u>(28,347)</u></u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

	As at	
	30 September	31 March
	2023	2023
	(Unaudited)	(Audited)
Notes	HK\$'000	HK\$'000
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	142,806	153,676
Right-of-use assets	65,687	67,870
Investment properties	483,016	497,360
Investments in associates	110,129	96,520
Investments in club memberships	1,776	1,800
	<u>803,414</u>	<u>817,226</u>
Total non-current assets	803,414	817,226
<b>CURRENT ASSETS</b>		
Inventories	100,939	171,572
Accounts receivable	8 124,606	136,261
Prepayments, deposits and other receivables	18,503	15,604
Due from an associate	54,409	54,409
Tax recoverable	255	239
Cash and cash equivalents	430,217	392,648
	<u>728,929</u>	<u>770,733</u>
Total current assets	728,929	770,733

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

*As at 30 September 2023*

		As at	
		30 September 2023 (Unaudited) <i>HK\$'000</i>	31 March 2023 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
<b>CURRENT LIABILITIES</b>			
Accounts payable	9	92,810	123,229
Accrued liabilities, other payables and contract liabilities		83,456	90,033
Lease liabilities		1,006	1,011
Tax payable		55,748	57,610
Total current liabilities		233,020	271,883
<b>NET CURRENT ASSETS</b>		<b>495,909</b>	498,850
<b>TOTAL ASSETS LESS</b>			
<b>CURRENT LIABILITIES</b>		<b>1,299,323</b>	1,316,076
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		1,047	1,593
Deposits received		6,109	6,466
Deferred tax liabilities		98,314	93,361
Total non-current liabilities		105,470	101,420
<b>Net assets</b>		<b>1,193,853</b>	1,214,656
<b>EQUITY</b>			
Equity attributable to equity holders of the Company			
Issued share capital		68,093	68,078
Reserves		1,112,552	1,137,139
		<b>1,180,645</b>	1,205,217
Non-controlling interests		13,208	9,439
<b>Total equity</b>		<b>1,193,853</b>	1,214,656

Notes:

## 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

These unaudited interim condensed consolidated financial information for the six months ended 30 September 2023 has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and Hong Kong Accounting Standard (“HKAS”) 34 “*Interim Financial Reporting*” issued by the Hong Kong Institute of Certified Public Accountants. These unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 March 2023.

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 2023, except for adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) effective as of 1 April 2023.

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two model Rules

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 2023 and 2022.

	Manufacturing and sale of footwear products		Property investment		Consolidated	
	For the six months ended 30 September		For the six months ended 30 September		For the six months ended 30 September	
	2023	2022	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue</b>						
Sales to external customers	<u>383,032</u>	<u>639,175</u>	<u>-</u>	<u>-</u>	<u>383,032</u>	<u>639,175</u>
Rental income	<u>-</u>	<u>-</u>	<u>13,781</u>	<u>14,174</u>	<u>13,781</u>	<u>14,174</u>



## 2. OPERATING SEGMENT INFORMATION (Continued)

	Manufacturing and sale of footwear products		Property investment		Consolidated	
	For the six months ended 30 September		For the six months ended 30 September		For the six months ended 30 September	
	2023	2022	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment results	<u>(1,821)</u>	<u>32,306</u>	<u>24,757</u>	<u>(9,081)</u>	<u>22,936</u>	<u>23,225</u>
Unallocated income and gains, net					62	117
Interest income					9,487	2,177
Unallocated expenses					(5,820)	(4,909)
Finance costs						
(Other than interest on lease liabilities)					—	(3)
Profit before tax					26,665	20,607
Income tax credit/(expense)					(4,603)	8,472
Profit for the period					<u>22,062</u>	<u>29,079</u>

	Manufacturing and sale of footwear products		Property investment		Consolidated	
	30 September	31 March	30 September	31 March	30 September	31 March
	2023	2023	2023	2023	2023	2023
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Assets and liabilities</b>						
Segment assets	605,169	688,006	488,769	500,414	1,093,938	1,188,420
Unallocated assets					438,405	399,539
Total assets					<u>1,532,343</u>	<u>1,587,959</u>
Segment liabilities	150,350	187,483	104,292	99,700	254,642	287,183
Unallocated liabilities					83,848	86,120
Total liabilities					<u>338,490</u>	<u>373,303</u>

### 3. FINANCE COSTS

	For the six months ended	
	30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans	–	3
Interest on lease liabilities	52	73
	<u>52</u>	<u>76</u>

### 4. PROFIT BEFORE TAX

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

	For the six months ended	
	30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold	238,161	390,529
Depreciation of property, plant and equipment	12,484	14,254
Depreciation of right-of-use assets	1,540	1,847
Amortisation of club memberships	24	25
Impairment of items of property, plant and equipment	480	–
Impairment allowance of accounts receivable	1,369	554
Fair value loss/(gain) on revaluation of investment properties	(12,665)	21,492
Bank interest income	(9,382)	(2,176)
Interest income from accounts receivable	(105)	–

## 5. INCOME TAX

	For the six months ended	
	30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current		
– Elsewhere	(350)	(3,150)
Deferred	<u>4,953</u>	<u>(5,322)</u>
Total tax expense/(credit)	<u><u>4,603</u></u>	<u><u>(8,472)</u></u>

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 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 PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of the basic profit per share amount is based on the profit for the period attributable to equity holders of the Company of HK\$21,909,000 (six months ended 30 September 2022: HK\$28,804,000), and the weighted average number of ordinary shares of 675,661,958 (six months ended 30 September 2022: 673,236,906) in issue during the period, as adjusted to reflect the number of shares of 6,732,000 (six months ended 30 September 2022: 6,303,000) held under the share award scheme of the Company.

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

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

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2023</b>	2022
	<b>(Unaudited)</b>	(Unaudited)
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Earnings</b>		
Profit attributable to equity holders of the Company	<b>21,909</b>	28,804
	<b><u>          </u></b>	<u>          </u>
	<i>'000</i>	<i>'000</i>
<b>Shares</b>		
Weighted average number of ordinary shares used in calculating the basic earnings per share	<b>675,662</b>	673,237
Effect of dilution—weighted average number of ordinary shares:		
Share options	<b>341</b>	919
Share awards	<b>2,119</b>	27
	<b><u>          </u></b>	<u>          </u>
Weighted average number of ordinary shares used in calculating the diluted earnings per share	<b>678,122</b>	674,183
	<b><u>          </u></b>	<u>          </u>

## 7. DIVIDENDS

	For the six months ended	
	30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>Dividends paid during the period</b>		
Special final in respect of the financial year ended 31 March 2023		
– HK0.2 cent (2022: HK2.0 cents) per ordinary share	1,350	13,486
Final in respect of the financial year ended 31 March 2023		
– HK2.0 cents (2022: Nil) per ordinary share	13,496	–
	<u>14,846</u>	<u>13,486</u>
<b>Proposed interim and special interim dividends</b>		
Interim – HK1.5 cents (2022: HK1.8 cents) per ordinary share	10,214	12,251
Special interim – HK0.5 cent (2022: HK0.5 cent) per ordinary share	3,405	3,403
	<u>13,619</u>	<u>15,654</u>

The interim and special interim dividends were declared after the period ended 30 September 2023, and therefore have not been included as a liability in the condensed consolidated statement of financial position. The interim and special interim dividends will be paid to the shareholders whose names appear in the register of members on 17 January 2024.

## 8. ACCOUNTS RECEIVABLE

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

## 8. ACCOUNTS RECEIVABLE (Continued)

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

	As at	
	30 September	31 March
	2023	2023
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Within 90 days	111,998	120,987
Between 91 and 180 days	11,467	13,574
Between 181 and 365 days	1,141	1,700
	<u>124,606</u>	<u>136,261</u>

## 9. ACCOUNTS PAYABLE

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

	As at	
	30 September	31 March
	2023	2023
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Within 90 days	61,573	82,921
Between 91 and 180 days	28,599	28,635
Between 181 and 365 days	392	24
Over 365 days	2,246	11,649
	<u>92,810</u>	<u>123,229</u>

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 footwear manufacturer specializing in the production of a portfolio of high-end lifestyle footwear for the world's leading active wear brands.

The six months ended 30 September 2023 (the "Period") were characterized by challenging business conditions, including weak demand and a lack of visibility in the Group's order pipeline. The Period saw a general decline in footwear shipments from manufacturers in Southeast Asia to the United States (the "US") and European markets. As a result of the soft market, the Group's order book has remained weak.

Given the challenges faced, the Group continued to maintain its financial strength and worked diligently with brand customers to accelerate inventory shipments. This resulted in a set of improved financial ratios, better management of receivables and healthier stock cycle during the Period. The Group also continued to enhance operational efficiency in order to further strengthen its cost advantage.

In the face of high uncertainty, the Group demonstrated adaptability and utilized its strong fundamentals to sustain resilience, while maintaining its commitment to delivering high-quality products and reliable services to clients.

Despite the current slow market conditions, the Group remains confident in its production capability, which will help it secure client trust and procurement as the market regains momentum.

## **Revenue**

The Group reported a revenue of approximately HK\$383.0 million (2022: approximately HK\$639.2 million) for the Period, a drop of 40.1% year on year. This revenue decline was attributed to a 41.9% decrease in business volume, which was mildly offset by a 4.1% improvement in the average selling price (“ASP”).

## **Gross Profit**

In an effort to optimize its cost structure and improve efficiency, the Group has implemented several cost-mitigating measures, including reducing the size of its work forces in Vietnam and Cambodia, adjusting their working hours and strategically suspending subcontracting.

During the Period, the Group’s gross profit decreased by 61.9% to approximately HK\$21.8 million (2022: approximately HK\$57.3 million), mainly attributable to the diminished economies of scale resulting from decreased shipment volume and capacity utilization. This decline has been mitigated to a moderate extent by a combination of factors, including:

- (i) an ASP improvement in line with the Group’s margin-accretive strategy to enhance its revenue portfolio; and
- (ii) cost-mitigating measures, in particular on reducing labor costs, resulting in a 39.1% decrease in direct wages to approximately HK\$65.4 million (2022: approximately HK\$107.5 million).

A gross profit margin of 5.7% was yielded for the Period (2022: 9.0%).



## **Net Profit**

The Group recorded a net profit attributable to equity holders of the Company of approximately HK\$21.9 million (2022: approximately HK\$28.8 million), representing a decrease of 23.9% year on year. The net profit posted took into account:

- (i) the share of profit of associates of approximately HK\$13.6 million (2022: approximately HK\$17.5 million) contributed by the Group's associated company operating in central Vietnam;
- (ii) increased interest income; and
- (iii) a net fair value gain of approximately HK\$12.7 million for the Period (2022: loss of approximately HK\$21.5 million) on revaluation of the Group's investment properties in Hong Kong and mainland China.

## **Key Financial Ratios**

The Group maintained healthy financial ratios during the Period:

- Debtors' turnover decreased from 66 days for the six months ended 30 September 2022 to 61 days for the Period;
- Creditors' turnover increased to 116 days (2022: 81 days);
- Stock turnover increased to 103 days (2022: 89 days);
- A healthy liquidity position with net cash in hand of approximately HK\$430 million as at 30 September 2023 (31 March 2023: approximately HK\$393 million); and
- Current and quick ratios were 3.1 and 2.7 respectively (2022: 2.5 and 2.0 respectively).

## **Interim and Special Interim Dividends**

With dedicated efforts to prudently manage working capital, the Company was able to maintain a healthy financial position. In view of this and to share results with shareholders, the Board has resolved to declare an interim dividend of HK1.5 cents (2022: HK1.8 cents) per ordinary share and a special interim dividend of HK0.5 cent per ordinary share (2022: HK0.5 cent).

## **OPERATIONAL PERFORMANCE**

The weakening trend of retail sales across major export markets during the second half of the financial year 2022/23 persisted into the Period. Brand clients have remained conservative in their procurement plans owing to uncertain retail prospects. The Group thus contended with a weak order book, resulting in lower-than-expected sales.

The Group has taken action to streamline its labor forces in Vietnam and Cambodia, and align their working hours with forecasted orders. Local management teams also regularly review the manufacturing processes at their facilities to identify areas for further cost reduction or efficiency improvement.

To promote business diversification, the Group is actively seeking out new brand clients, including two young fashion labels that were added to its customer portfolio during the Period. While the initial orders from these new labels may be small in scale, the Group is optimistic about the growth potential that they represent.

## **Manufacturing Business**

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

As at 30 September 2023, the Group had a combined production scale of 24 processing lines, mostly under the concept-line setup. They contributed an annual capacity of about 7 million pairs of footwear, and were 60.1% utilized in the Period (2022: 83.3%).

In southern Vietnam, there were 11 concept lines and 3 traditional lines in operation. Coupled with the 10 concept lines the Group had in Cambodia, this robust and multi-location production platform enables the Group to provide capacity with flexibility to meet clients’ sourcing plans in terms of country of manufacture.

While there are no immediate plans to expand the production lines at these two centers, the Group remains committed to advancing its long-term capability upgrading plans to enhance its competitive position through improved product sophistication and cost advantage.

The geographical distribution of markets continued to be demand-led, while at the same time, the Group supports clients’ initiatives to develop markets with promising prospects. During the Period, contribution from the US generated 32.4% (2022: 42.2%) of the Group’s revenue. Europe’s proportionate contribution stood at 22.7% (2022: 27.6%), and shipments to other markets, including Asia and other areas, accounted for 44.9% (2022: 30.2%).

The rugged-shoe category remained the major revenue contributor during the Period, producing 77.0% (2022: 72.2%) of total revenue. The proportionate contribution of premium casual footwear remained relatively stable at 15.2% (2022: 14.2%). Revenue generated by babies' and children's footwear decreased proportionately to 7.8% (2022: 13.6%).

In line with its strategy to prioritize value growth, the Group remains selective in terms of clientele portfolio management and new business development. Major customers for the Period included Cat, Chaco, Dr. Martens, Merrell and Wolverine; which in aggregate contributed 96.9% (2022: 96.0%) of total revenue. The Group proactively develops business partnerships with brands that have a strong financial background and growth prospects. Two young brands, Axion and Palladium, were introduced to the Group's portfolio during the Period.

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

### ***Southern Vietnam***

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

This location remained a core manufacturing site for the Group, contributing 51.2% (2022: 61.3%) of total volume output. Despite the decrease in volume output, there are no further plans to reduce production lines.

As part of its effort to reduce manpower and material wastage, the Group has continued to invest in and expand computerized leather cutting at this center. Implementing automation in the cutting process can result in more efficient use of resources, leading to cost savings and promoting more sustainable manufacturing practices.

## ***Cambodia***

The Cambodia site also experienced volume output drop during the Period, but its proportionate contribution increased to 48.8% (2022: 38.7%) of total output in pairs.

The Group remains confident in the long-term potential of this center. To cope with short-term order fluctuations, it has reorganized work shifts and implemented controls on the staff working hours.

## ***Mainland China***

A R&D center was maintained in Zhuhai, mainland China. To meet client requirements, this center is planned to be relocated to the available premises adjacent to the southern Vietnam production site. This plan is set to be implemented within the coming year and will bring R&D activities closer to the Group's main production hub, offering a one-stop service to clients.

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

## ***Investment in Associates***

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

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 associated company operated a total of 37 production lines, which were designated for world-leading footwear brands Crocs and Columbia.

The associated company remained relatively resilient amid weak retail demand, and achieved a revenue of approximately HK\$416.2 million (2022: approximately HK\$522.3 million) during the Period. It contributed a share of profit of associates of approximately HK\$13.6 million (2022: approximately HK\$17.5 million) to the Group.

Due to ongoing uncertainty in the macroeconomic environment, the associated company will adopt a more cautious approach towards capacity management and business development in the remaining quarters of the current financial year. However, given the strong background and expertise of Evervan, the Board remains confident in the long-term prospects of this joint-venture operation.

### **Investment Properties**

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

During the Period, the portfolio of assets classified as investment properties was all leased out, yielding gross rental income of approximately HK\$13.8 million (2022: approximately HK\$14.2 million). The Group has acted upon the initiatives of local governments in mainland China to support tenants during challenging business conditions by making more flexible rental payment arrangements with some of them.

The Board considers that the portfolio is presently producing a consistent stream of recurrent income, but stays alert to possible challenges in tenants' rental payments should the business environment remain subdued. It will regularly review this asset base and examine options available with a view to creating greater long-term value for shareholders.

## **Talent Development**

The Group highly values its staff team, which brings a wide array of specialist skills to various business units. The team is committed to helping clients thrive as the Group strives to create a world-class business that aligns with the success of its clients. In order to attract and retain top talent, the Group offers competitive compensation packages, including a share option scheme and a share award scheme as incentives and rewards for eligible participants who contribute to the Group's success.

The competent management team consistently demonstrates commitment and determination in tackling unprecedented challenges. Through their strong leadership and crisis management capabilities, the Group has navigated demanding operating conditions in recent years.

Furthermore, the Group places significant importance on localization for the long-term development of its manufacturing locations. Efforts have been dedicated to cultivating local leadership to enhance the performance of each business unit.

## **FUTURE PLANS AND PROSPECTS**

The macroeconomic environment is expected to be influenced by a combination of unfavorable factors, such as inflation, high interest rates, and escalating geopolitical conflicts. The retail outlook, especially for the US, will likely remain challenging over the remainder of the current financial year.

Over the past year, the Group has taken proactive steps to restructure its labor input and other cost components, allowing it to better withstand the turbulent business environment. It has also maintained financial prudence by carefully managing capital expenditure and other expenses.

On the business front, the Group is delighted to welcome new brand clients, a positive development in terms of portfolio diversification and revenue generation. With its strong production capabilities and strategic positioning, the Group is well equipped to secure orders from both existing and new clients as retail conditions begin to improve.

The joint-venture operation in central Vietnam is not immune to the macroeconomic challenges, but it has maintained stable earnings contribution to the Group. It will continue to take forward its business development plans in a prudent manner.

As the Group proceeds with the relocation of the R&D facilities from Zhuhai, mainland China, to southern Vietnam, it will carefully evaluate the potential use of the vacated premises. This assessment will take into account the value and utilization of the combined factory space, as well as the portfolio of tenants.

Regardless of short-term market cycles, sustainability will remain at the core of the Group's operations. It serves not only as a way to meet increasing demands from eco-conscious consumers, but also as a fundamental culture that ensures long-term value creation for the Group and its stakeholders.

Despite a challenging and unpredictable operating environment, the Group remains confident in its long-term prospects. With its solid manufacturing capabilities, portfolio of world-leading footwear brand clients, and dedicated staff team, the Group is resolute in its determination to overcome the short-term challenges.

## **Appreciation**

I would like to express my heartfelt gratitude to my fellow directors, senior management and staff members for their dedication and diligence during these testing times. I also wish to extend my appreciation to 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 2023, the Group had net cash and cash equivalents were approximately HK\$430 million (as at 31 March 2023: approximately HK\$393 million).

As at 30 September 2023, the Group had banking facilities amounted to an aggregate sum of approximately HK\$40 million (as at 31 March 2023: approximately HK\$40 million) with various banks. The Group had not utilized the banking facilities and did not have any interest-bearing bank borrowings as at 30 September 2023 (as at 31 March 2023: Nil).

As at 30 September 2023, the current ratio was approximately 3.1 (as at 31 March 2023: approximately 2.8) based on current assets of approximately HK\$729 million and current liabilities of approximately HK\$233 million and the quick ratio was approximately 2.7 (as at 31 March 2023: approximately 2.2).

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 hedge the foreign currency exposures through natural hedges, forward contracts and options, if consider necessary. The management of currency risk is centralised in the headquarters of the Group in Hong Kong.

## **CAPITAL STRUCTURE**

Shareholders' equity decreased to approximately HK\$1,181 million as at 30 September 2023 (as at 31 March 2023: approximately HK\$1,205 million).

## **INTERIM AND SPECIAL INTERIM DIVIDENDS**

On 30 November 2023, the Board has resolved to declare the payment of an interim dividend of HK1.5 cents per ordinary share and a special interim dividend of HK0.5 cent per ordinary share in respect of the six months ended 30 September 2023 to shareholders registered on the register of members on Wednesday, 17 January 2024, resulting in an appropriation of approximately HK\$13.6 million. The interim and special interim dividends will be payable on or about 5 February 2024.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Monday, 15 January 2024 to Wednesday, 17 January 2024, both days inclusive, during which period no transfer of shares shall be effected. In order to qualify for the interim and special interim dividends, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Friday, 12 January 2024.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES**

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 6,200 as at 30 September 2023 (30 September 2022: approximately 8,000). 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 2023, in compliance with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange.

## **AUDIT COMMITTEE**

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

The Committee has reviewed with the management, the accounting principles and practices adopted by the Group and discussed the Group’s auditing, internal control and financial reporting matters during the Period. The Group’s unaudited interim condensed consolidated financial information for the six months ended 30 September 2023 has been reviewed by the Committee, which was of the opinion that the preparation of such financial information complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors’ securities transactions. Having made specific enquiry of all Directors, the Directors have confirmed their compliance with the required standard set out in the Model Code during the six months ended 30 September 2023.

## **PUBLICATION OF INTERIM REPORT**

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

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

Hong Kong, 30 November 2023

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