

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2022**

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 2022 (the “Period”), together with the comparative figures for the corresponding period in 2021, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

	<i>Notes</i>	Six months ended 30 June 2022 HK\$'000 (Unaudited)	Six months ended 30 June 2021 HK\$'000 (Unaudited)
REVENUE	2, 3	2,281,135	2,036,283
Cost of sales		(2,049,686)	(1,736,456)
Gross profit		231,449	299,827
Other income and gains, net	3	24,418	23,910
Selling and distribution expenses		(62,990)	(68,413)
Write-back of impairment losses/ (impairment losses) on financial assets, net		2,112	(3,929)
Administrative expenses		(157,532)	(161,227)
Other operating income/(expenses), net		22,414	(22,231)
Finance costs		(21,336)	(19,784)

		Six months ended 30 June 2022	Six months ended 30 June 2021
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
PROFIT BEFORE TAX	4	38,535	48,153
Income tax expense	5	(6,518)	(8,901)
PROFIT FOR THE PERIOD		32,017	39,252
Attributable to:			
Ordinary equity holders of the Company		29,453	39,519
Non-controlling interests		2,564	(267)
		32,017	39,252
Interim dividend	6	Nil	Nil
EARNINGS PER SHARE			
ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	7	HK3.4 cents	HK4.5 cents
Diluted	7	HK3.4 cents	HK4.5 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Six months ended 30 June 2022 <i>HK\$'000</i> (Unaudited)	Six months ended 30 June 2021 <i>HK\$'000</i> (Unaudited)
PROFIT FOR THE PERIOD	32,017	39,252
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	<u>(154,445)</u>	<u>–</u>
TOTAL COMPREHENSIVE (EXPENSES)/INCOME FOR THE PERIOD	<u>(122,428)</u>	<u>39,252</u>
Attributable to:		
Ordinary equity holders of the Company	(123,941)	39,519
Non-controlling interests	<u>1,513</u>	<u>(267)</u>
	<u>(122,428)</u>	<u>39,252</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		30 June	31 December
		2022	2021
	<i>Note</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		1,259,618	1,424,404
Right-of-use assets		221,644	237,343
Interests in associates		2,825	3,686
Prepayments		5,479	5,848
Long term receivables		36,607	36,038
Deposits paid		2,067	5,034
Deferred tax assets		28,022	29,347
		<hr/>	<hr/>
Total non-current assets		1,556,262	1,741,700
		<hr/>	<hr/>
CURRENT ASSETS			
Properties under development		57,419	60,220
Inventories		1,223,897	1,517,754
Accounts and bills receivables	8	663,513	863,662
Prepayments, deposits and other receivables		62,553	76,590
Financial asset at fair value through profit or loss		301	315
Pledged deposits		85,427	69,552
Cash and cash equivalents		878,214	863,437
		<hr/>	<hr/>
Total current assets		2,971,324	3,451,530
		<hr/>	<hr/>

		30 June	31 December
		2022	2021
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
CURRENT LIABILITIES			
Accounts and bills payables	9	436,405	844,352
Accrued liabilities and other payables		161,269	268,582
Due to an associate		1,726	947
Tax payable		16,063	10,693
Bank advance for discounted bills		21,518	–
Interest-bearing bank borrowings		486,995	528,906
Lease liabilities		7,290	7,446
		<hr/>	<hr/>
Total current liabilities		1,131,266	1,660,926
		<hr/>	<hr/>
NET CURRENT ASSETS		1,840,058	1,790,604
		<hr/>	<hr/>
TOTAL ASSETS LESS			
CURRENT LIABILITIES		3,396,320	3,532,304
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		1,288,902	1,286,116
Lease liabilities		25,318	29,909
Deferred tax liabilities		4,917	5,358
		<hr/>	<hr/>
Total non-current liabilities		1,319,137	1,321,383
		<hr/>	<hr/>
Net assets		2,077,183	2,210,921
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital		86,992	86,992
Reserves		1,986,420	2,121,671
		<hr/>	<hr/>
		2,073,412	2,208,663
Non-controlling interests		3,771	2,258
		<hr/>	<hr/>
Total equity		2,077,183	2,210,921
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1.1 BASIS OF PRESENTATION

The interim condensed consolidated financial statements for the six months ended 30 June 2022 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 2021, 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 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to HKFRSs 2018-2020	<i>Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41</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, mining 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 2022				
(Unaudited)				
Segment revenue:				
Revenue from external customers	1,899,981	381,154	–	2,281,135
Intersegment sales	72,718	–	–	72,718
	<u>1,972,699</u>	<u>381,154</u>	<u>–</u>	<u>2,353,853</u>
Elimination of intersegment sales				<u>(72,718)</u>
				<u><u>2,281,135</u></u>
Segment profit/(loss)	44,145	15,721	(999)	58,867
Bank interest income	844	27	11	882
Finance costs (other than interest on lease liabilities)	(20,491)	–	–	(20,491)
Share of loss of an associate	–	(723)	–	(723)
	<u>24,498</u>	<u>15,025</u>	<u>(988)</u>	<u>38,535</u>
Profit/(loss) before tax	24,498	15,025	(988)	38,535
Income tax credit/(expense)	(3,970)	(2,750)	202	(6,518)
	<u>20,528</u>	<u>12,275</u>	<u>(786)</u>	<u>32,017</u>
Profit/(loss) for the period	20,528	12,275	(786)	32,017
As at 30 June 2022 (Unaudited)				
Assets and liabilities				
Segment assets	3,890,901	470,688	135,150	4,496,739
Interest in associates	–	2,825	–	2,825
Deferred tax assets	2,629	–	25,393	28,022
	<u>3,893,530</u>	<u>473,513</u>	<u>160,543</u>	<u>4,527,586</u>
Total assets	<u>3,893,530</u>	<u>473,513</u>	<u>160,543</u>	<u>4,527,586</u>
Segment liabilities	2,369,033	68,609	7,844	2,445,486
Deferred tax liabilities	–	–	4,917	4,917
	<u>2,369,033</u>	<u>68,609</u>	<u>12,761</u>	<u>2,450,403</u>
Total liabilities	<u>2,369,033</u>	<u>68,609</u>	<u>12,761</u>	<u>2,450,403</u>
Other segment information:				
Six months ended 30 June 2022				
(Unaudited)				
Depreciation of property, plant and equipment	143,235	3,321	2,277	148,833
Depreciation of right-of-use assets	6,720	1,525	–	8,245
Capital expenditure	29,306	3,933	–	33,239
	<u>179,261</u>	<u>8,779</u>	<u>2,277</u>	<u>190,317</u>

	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 2021				
(Unaudited)				
Segment revenue:				
Revenue from external customers	1,860,152	176,131	–	2,036,283
Intersegment sales	94,392	–	–	94,392
	<u>1,954,544</u>	<u>176,131</u>	<u>–</u>	<u>2,130,675</u>
Elimination of intersegment sales				(94,392)
				<u>2,036,283</u>
Segment profit/(loss)	69,515	270	(2,883)	66,902
Bank interest income	1,400	15	10	1,425
Finance costs (other than interest on lease liabilities)	(18,821)	(1)	–	(18,822)
Share of loss of an associate	–	(1,352)	–	(1,352)
	<u>52,094</u>	<u>(1,068)</u>	<u>(2,873)</u>	<u>48,153</u>
Profit/(loss) before tax	52,094	(1,068)	(2,873)	48,153
Income tax credit/(expense)	(7,650)	(1,448)	197	(8,901)
	<u>44,444</u>	<u>(2,516)</u>	<u>(2,676)</u>	<u>39,252</u>
Profit/(loss) for the period	44,444	(2,516)	(2,676)	39,252
As at 31 December 2021				
(Audited)				
Assets and liabilities				
Segment assets	4,524,219	488,792	147,186	5,160,197
Interest in associates	–	3,686	–	3,686
Deferred tax assets	2,716	–	26,631	29,347
	<u>4,526,935</u>	<u>492,478</u>	<u>173,817</u>	<u>5,193,230</u>
Total assets	<u>4,526,935</u>	<u>492,478</u>	<u>173,817</u>	<u>5,193,230</u>
Segment liabilities	2,848,353	114,241	14,357	2,976,951
Deferred tax liabilities	–	–	5,358	5,358
	<u>2,848,353</u>	<u>114,241</u>	<u>19,715</u>	<u>2,982,309</u>
Total liabilities	<u>2,848,353</u>	<u>114,241</u>	<u>19,715</u>	<u>2,982,309</u>
Other segment information:				
Six months ended 30 June 2021				
(Unaudited)				
Depreciation of property, plant and equipment	143,694	2,468	2,030	148,192
Depreciation of right-of-use assets	6,351	1,525	553	8,429
Capital expenditure	38,013	13,076	70	51,159
	<u>188,058</u>	<u>7,069</u>	<u>2,653</u>	<u>197,780</u>

Geographical information

(a) Revenue from external customers

	Six months ended 30 June 2022 HK\$'000 (Unaudited)	Six months ended 30 June 2021 HK\$'000 (Unaudited)
Korea	708,992	753,596
Mainland China	420,391	429,473
Taiwan	284,372	305,160
Singapore	135,411	141,693
Hong Kong	129,221	89,292
United Kingdom	95,162	27,439
Bangladesh	70,863	64,240
Others	436,723	225,390
	2,281,135	2,036,283

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

(b) Non-current assets

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Mainland China	1,326,163	1,505,616
Hong Kong	56,600	59,697
Cambodia	71,542	72,429
Singapore	1,074	1,756
Others	36,254	36,817
	1,491,633	1,676,315

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

During the Period, the revenue from the Group's largest customer amounted to less than 10% of the Group's total revenue.

3. REVENUE, OTHER INCOME AND GAINS, NET

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, net, is as follows:

	Six months ended 30 June 2022 <i>HK\$'000</i> (Unaudited)	Six months ended 30 June 2021 <i>HK\$'000</i> (Unaudited)
Revenue from contracts with customers		
Production and sale of knitted fabric and dyed yarn	1,899,981	1,860,152
Production and sale of garment products and provision of related subcontracting services	381,154	176,131
	2,281,135	2,036,283
Other income		
Subsidy income	4,456	2,584
Sewage treatment provided	11,943	10,778
Bank interest income	882	1,425
Fee income from freight handling services	4,352	5,305
Others	2,799	3,531
	24,432	23,623
Gains, net		
Fair value gains/(losses), net:		
Financial assets at fair value through profit or loss – held for trading	(14)	287
Other income and gains, net	24,418	23,910

4. PROFIT BEFORE TAX

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

	Six months ended 30 June 2022 HK\$'000 (Unaudited)	Six months ended 30 June 2021 HK\$'000 (Unaudited)
Cost of inventories sold and services provided	2,049,686	1,736,456
Research and development costs	67,792	65,983
Depreciation of items of property, plant and equipment	148,833	148,192
Depreciation of right-of-use assets	8,245	8,429
Employee benefits expense (including directors' remuneration):		
Wages and salaries	265,089	255,167
Pension scheme contributions	32,731	26,963
	297,820	282,130
Loss/(gain) on disposal of items of property, plant and equipment	124	(15)
(Write-back of impairment losses)/ impairment of accounts receivable, net	(2,112)	3,929
Fair value losses/(gains), net:		
Financial assets at fair value through profit or loss – held for trading	14	(287)
Foreign exchange differences, net	(35,440)	9,028
	<u> </u>	<u> </u>

5. INCOME TAX

	Six months ended 30 June 2022 HK\$'000 (Unaudited)	Six months ended 30 June 2021 HK\$'000 (Unaudited)
Current tax – Hong Kong		
Charge for the period	6,311	7,806
Current tax – Elsewhere		
Charge for the period	409	1,292
Deferred tax credit	(202)	(197)
	<hr/>	<hr/>
Total tax charge for the period	<u>6,518</u>	<u>8,901</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 2021: 16.5%), except for one subsidiary of the Group which is qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (six months ended 30 June 2021: HK\$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 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 2022 and 30 June 2021, 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 2021: Nil).

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amount is based on the profit for the Period attributable to ordinary equity holders of the Company of HK\$29,453,000 (six months ended 30 June 2021: HK\$39,519,000), and the number of 869,919,000 (six months ended 30 June 2021: 869,919,000) ordinary shares in issue during the Period.

The Group had no potentially dilutive ordinary shares in issue for the periods ended 30 June 2022 and 30 June 2021.

8. ACCOUNTS AND BILLS RECEIVABLE

The Group's trading with its customers are generally on credit 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 receivable 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 receivable 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 net of impairment allowance, is as follows:

	30 June 2022 <i>HK\$'000</i> (Unaudited)	31 December 2021 <i>HK\$'000</i> (Audited)
Within 1 month	253,438	452,652
1 to 2 months	172,771	252,268
2 to 3 months	106,424	72,579
Over 3 months	130,880	86,163
	<hr/> 663,513 <hr/>	<hr/> 863,662 <hr/>

9. ACCOUNTS AND BILLS PAYABLE

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

	30 June 2022 <i>HK\$'000</i> (Unaudited)	31 December 2021 <i>HK\$'000</i> (Audited)
Within 3 months	338,942	744,107
3 to 6 months	94,657	94,895
Over 6 months	2,806	5,350
	<hr/> 436,405 <hr/>	<hr/> 844,352 <hr/>

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

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

During the first quarter of 2022, the global textile and garment industry seemed to be on steady recovery. On the demand side, the easing of social distancing measures and economic stimulus in the west prompted the rapid recovery of consumption demand. On the supply side, major textile and garment manufacturing hubs in Southeast Asia managed to contain the pandemic enough to resume production and support the rising market demand.

However, the situation soon began to deteriorate. Hostilities between Ukraine and Russia escalated at the start of the second quarter, which led to disruption in supply of commodities, raw materials and energy, driving production costs for many industries. In the west, fiscal stimulus and the rapid increase in consumption demand have led to a shortage of goods, causing a sharp rise in inflation. In the U.S., inflation rate soared to 8.6% by May 2022, the highest it has ever been since December 1981. Under such a situation, consumers prioritised crucial goods such as food and energy, and brand owners and retailers therefore became more conservative and began clearing inventory, rather than making new orders.

In China, serious COVID-19 outbreaks occurred in a number of cities during the first half of 2022. The outbreaks in the Yangtze Delta region and northeast China were particularly severe in that they necessitated stringent lockdown and pause of economic activities. This has negatively affected actual consumption and the consumer sentiments nationwide in mainland China.

All in all, the global textile and garment industry was on track to a steady recovery at the beginning of 2022. However, numerous unforeseen events occurred during the Period, which brought heavy pressure to the industry and dashed hopes for an early full market recovery. Under this backdrop, textile and garment companies began to look towards building stronger operational resilience to withstand the next economic cycle.

Business Overview

Although the Period presented its fair share of challenges, the impacts they had on the Group's operations were partly offset by the Group's comprehensive global manufacturing layout, which enabled the Group to capture opportunities and alleviated the adversity. Overall, revenue for the Period amounted to approximately HK\$2,281.1 million, representing a year-on-year ("yoy") increase of 12.0% from HK\$2,036.3 million for the six months ended 30 June 2021. Gross profit decreased by 22.8% from HK\$299.8 million for the six months ended 30 June 2021 to HK\$231.4 million during the Period. Profit attributable to ordinary equity holders of the Company for the Period amounted to HK\$29.5 million, representing a yoy decrease of 25.3% from HK\$39.5 million for the six months ended 30 June 2021. The basic earnings per share for the Period was HK3.4 cents, compared to basic earnings per share of HK4.5 cents for the six months ended 30 June 2021.

During the first half of 2022, the two operating segments of textile business and garment business continued to contribute to the Group, accounted for 83.3% and 16.7% of total revenue respectively. The textile business was mostly supported by the Group's two production sites in Enping and Nansha in China, while the factories in Cambodia mainly manufactured garment products.

For the textile business, its performance was under significant pressure during the Period, faced with both slowdown of order demand as well as cost pressure. The swift escalation of hostilities between Russia and Ukraine marked a turning point during the Period, quelling the recovery of consumer sentiments and prompting order hauls from brand owners and retailers in the U.S.. On the manufacturing side, the Russo-Ukrainian tension led to rapid hikes in commodities, materials and energy, creating higher manufacturing cost pressure. In mainland China, as attributed to serious outbreak of COVID-19 in a number of key commercial cities, consumption demand was declining. Compared to the same period last year, market sentiments were notably more pessimistic. As a result of the foregoing external factors and the effect of a higher base last year, the textile business noticeably diminished during the Period.

For the garment business, thanks to its strategic initiative to expand its garment operations to Cambodia in earlier years, the Group was able to take advantage of brands changing their supply chain structure and reallocating more production to Southeast Asian countries such as Cambodia as a means to diversify risks post-pandemic. As a result, during the Period, the Group had diversified its customer portfolio, including more customers in Europe and new retailers in the U.S.. The overall performance of this business segment achieved substantial increment in growth compared to the same period last year.

Prospects

Looking ahead to the second half of 2022, revival of the textile business remains unlikely, as the inflation and tightening monetary policies in the U.S. may continue to pressure global market sentiments. In China, however, consumption demand may see recovery in consideration of the Chinese Government's commitment to stimulate the economy. The Group will closely monitor the situation and respond accordingly.

For the garment business, prospects are brighter as the order book of the Group extends towards the third quarter of 2022. In addition, the Group has had a more diversified customer portfolio, which will help in alleviating the slowdown of orders of several brands. The Group expects that the garment business segment will be a key source of revenue for the remainder of 2022, and will demonstrate the strategic value of its commitment to developing the business segment and expanding manufacturing capability in prior years.

Now more than ever, garment and textile manufacturers are required to have high agility, diverse manufacturing layout and comprehensive one-stop solutions to remain competitive in the market. In the past few years, the Group has laid down the foundation towards becoming a strong player. In observation of the rapid development of the textile and garment industry in Southeast Asian countries and their quick recovery from the pandemic hit last year, the Group will drive its rolling development of its new integrated textile manufacturing base in Vietnam throughout the foreseeable future. The Group will also accelerate the expansion of manufacturing capacity of the garment manufacturing plants in Cambodia to take advantage of the rising demand from the west, with the aim of increasing manufacturing capacity by 50% in coming years. With the HK\$1,300,000,000 loan facility obtained in December 2021, the Group will continue its commitment to diversifying its manufacturing solutions across Southeast Asia, to better align with customers' development plans and spread risks. In terms of overall operation and the existing manufacturing capabilities, the Group is committed towards digital upgrades to increase internal efficiency and to alleviate the impacts of rising labour costs and labour shortage, and to be prepared for the next economic cycle.

In the short to medium term, the Group will need to exercise caution to better navigate the business through the uncertain external environment. However, in the long run, the Group remains optimistic about the prospects of the business and the industry. The Group will rely on its proven operational resilience to timely respond and adapt to market changes, at the same time carefully manage its capital to maintain financially healthy and adequately support future business development, such that the shareholders will continue to enjoy sustainable and long-term returns.

Financial Review

Revenue

Overall sales turnover during the Period reached approximately HK\$2,281.1 million, representing an increase of approximately 12.0% (six months ended 30 June 2021: HK\$2,036.3 million). The increase was mainly attributable to growth of garment business and increase in unit price of fabric to match with the rise of raw material costs.

Gross Profit and Gross Profit Margin

Gross profit during the Period was approximately HK\$231.4 million, representing an decrease of approximately 22.8% (six months ended 30 June 2021: HK\$299.8 million). Gross profit margin decreased to approximately 10.1% (six months ended 30 June 2021: approximately 14.7%). This was mainly attributable to increase in costs of raw materials and reduction in production volume.

Other Income and Gains, Net

Other income and gains, net during the Period of approximately HK\$24.4 million (six months ended 30 June 2021: approximately HK\$23.9 million) mainly comprised income received from provision of sewage treatment of approximately HK\$12.0 million (six months ended 30 June 2021: approximately HK\$10.8 million), fee on air and ocean freight of approximately HK\$4.4 million (six months ended 30 June 2021: approximately HK\$5.3 million), subsidy income of approximately HK\$4.5 million (six months ended 30 June 2021: approximately HK\$2.6 million), bank interest income of approximately HK\$0.9 million (six months ended 30 June 2021: approximately HK\$1.4 million). The remaining balance was mainly derived from sales of scrap.

Selling and Distribution Expenses

Selling and distribution expenses during the Period decreased to approximately HK\$63.0 million (six months ended 30 June 2021: approximately HK\$68.4 million). The decrease in expenses was mainly attributable to decrease in volume of fabric business.

Administrative Expenses

Administrative expenses, including salaries, depreciation, customs declaration and other related expenses, decreased to approximately HK\$157.5 million during the Period (six month ended 30 June 2021: approximately HK\$161.2 million). Facing uncertainty on global economic recovery, the Group adopted prudence strategy on cost control. The Group is continuing on improving its structure in order to save cost and improve efficiency.

Other Operating Expenses, Net

During the Period, other operating expenses, net were a gain of approximately HK\$22.4 million (six months ended 30 June 2021: a loss of approximately HK\$22.2 million), mainly comprising operating expenses on sewage treatment of approximately HK\$12.2 million (six months ended 30 June 2021: approximately HK\$11.9 million) and foreign exchange differences, net of approximately HK\$35.4 million gain (six months ended 30 June 2021: approximately HK\$9.0 million loss).

Finance costs

Finance costs for the Period were approximately HK\$21.3 million (six months ended 30 June 2021: approximately HK\$19.8 million), comprising interest on bank loans of approximately HK\$15.3 million (six months ended 30 June 2021: approximately HK\$14.8 million), amortization of bank charges on syndicated loans of approximately HK\$2.8 million (six months ended 30 June 2021: approximately HK\$2.8 million), interest on trade loan and discounted bills of approximately HK\$2.4 million (six months ended 30 June 2021: approximately HK\$1.3 million) and interest on lease liabilities of approximately HK\$0.8 million (six months ended 30 June 2021: approximately HK\$1.0 million). The increase in finance costs was mainly due to increase in interest rate during the Period.

Net Profit and Net Profit Margin

Net profit attributable to ordinary equity holders of the Company for the Period was approximately HK\$29.5 million (six months ended 30 June 2021: approximately HK\$39.5 million). The decrease in net profit was mainly due to a decrease in fabric sales orders during the Period. Starting from second quarter of year 2022, fabric orders decreased when compared to the same period of last year. Although the fabric unit price increased to match with the rise of raw material costs which compensated the decrease in volume, this still cannot cover fixed cost in factories. The Group's production capacity is not utilized to a great extent to which high fixed cost harmed the profitability of the Group.

Liquidity and Financial Resources

As at 30 June 2022, the Group's net current assets were approximately HK\$1,840.1 million (31 December 2021: approximately HK\$1,790.6 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 2022, the Group had cash and cash equivalents of approximately HK\$878.2 million (31 December 2021: approximately HK\$863.4 million). Current ratio as at 30 June 2022 was approximately 2.6 times (31 December 2021: approximately 2.1 times).

As at 30 June 2022, total bank borrowings of the Group were approximately HK\$1,775.9 million (31 December 2021: approximately HK\$1,815.0 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 2022 was at approximately 42.8% (31 December 2021: approximately 48.8%). 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 2022, the Group's long-term loans were approximately HK\$1,288.9 million (31 December 2021: approximately HK\$1,286.1 million), primarily made up of the syndicated loan. The long-term loans remained at a stable level.

Interim Dividend

The Board has resolved not to recommend the payment of an interim dividend for the Period (six months ended 30 June 2021: Nil).

Foreign Exchange Risk and Interest Rate Risk

Approximately 80.4% (six months ended 30 June 2021: approximately 76.6%) of the Group's sales was denominated in U.S. dollars. The remaining sales were denominated in Hong Kong dollars and Renminbi. The majority of the Group's costs of sales were denominated in U.S. dollars, Hong Kong dollars and Renminbi. The Group is therefore exposed to foreign exchange risk arising from currency exposures, primarily in respect to the Renminbi. 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 2022, none of the Group's land and buildings were pledged (31 December 2021: Nil).

Capital Expenditure

For the Period, the Group invested approximately HK\$37.9 million (six months ended 30 June 2021: approximately HK\$51.2 million) in capital expenditure of which approximately 91.5% (six months ended 30 June 2021: approximately 78.1%) was used for the purchase of plant and machinery, approximately 5.9% (six months ended 30 June 2021: approximately 17.3%) was used for the construction of factory premises, and the remaining was used for the purchase of other equipments.

As at 30 June 2022, the Group had capital commitments of approximately HK\$76.0 million (31 December 2021: approximately HK\$40.6 million) in property, plant and equipment and approximately HK\$188.5 million (31 December 2021: approximately HK\$197.7 million) in construction of new manufacturing facilities. All are funded or will be funded by internal resources.

Contingent Liabilities

As at 30 June 2022, the Group did not have any significant contingent liabilities (31 December 2021: Nil).

Significant Investment

As at 30 June 2022, 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.

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 4,533 (31 December 2021: 4,506) employees in the PRC, 2,428 employees in Cambodia (31 December 2021: 2,422) and 124 employees in Hong Kong, Macau, Singapore and others as at 30 June 2022 (31 December 2021: 124). Remuneration packages are generally structured by reference to market terms and individual qualification. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Discretionary bonuses are offered to the Group's staff depending on their performance and the results of the Group.

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

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

Purchase, Redemption or Sale of Listed Securities of the Company

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

Corporate Governance

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

Audit Committee

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

Model Code For Securities Transactions By Directors

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

APPRECIATION

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

GENERAL INFORMATION

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

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

Hong Kong, 23 August 2022