

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the directors of Kam Hing International Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Kam Hing International Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 December 2024, the unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of comprehensive income, the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2024 and related notes as set out on pages IV-1 to IV-9 of the investment circular in connection with the proposed acquisition of the 100% of equity interest in Korea Textile & Dyeing Support Services Joint Stock Company (the “**Proposed Acquisition**”) issued by the Company dated 26 May 2025 (the “**Circular**”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on page IV-1 of Appendix IV of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Proposed Acquisition on the Group's financial position as at 31 December 2024 and the Group's financial performance and cash flows for the year ended 31 December 2024 as if the Proposed Acquisition had taken place at 31 December 2024 and 1 January 2024, respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Directors from the Group's consolidated financial statements for the year ended 31 December 2024, on which an audit report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).



Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Management (“**HKSQM**”) 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of the event or transaction on the unadjusted financial information of the Group as if the event or transaction had occurred at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2024 would have been as presented.



A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Prism Hong Kong Limited

Certified Public Accountants

Lee Kwok Lun

Practising Certificate Number: P06294

Hong Kong, 26 May 2025

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is an illustrative unaudited pro forma financial information of Kam Hing International Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) and Korea Textile & Dyeing Support Services Joint Stock Company (the “**Target Company**”) (the Group and the Target Company hereinafter collectively referred to as the “**Enlarged Group**”) (the “**Unaudited Pro Forma Financial Information**”), including the unaudited pro forma consolidated statement of financial position, the unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2024 of the Enlarged Group, for the purpose of illustrating the effect of the proposed acquisition of the Target Company (the “**Proposed Acquisition**”), as if the Proposed Acquisition had been completed on (i) 31 December 2024 for the unaudited pro forma consolidated statement of profit or loss, unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows; and (ii) 31 December 2024 for the unaudited pro forma consolidated statement of financial position.

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company (the “**Directors**”) based on the consolidated statement of financial position of the Group as at 31 December 2024, the consolidated statement of profit or loss, the consolidated statement of comprehensive income and the consolidated statement of cash flows of the Group for the year ended 31 December 2024 as set out in the published annual report of the Group for the year ended 31 December 2024, the historical financial information of the Target Company as at 31 December 2024 and for the year ended 31 December 2024 which has been extracted from the Accountants' Report as set out in Appendix II of this circular, and the pro forma adjustments prepared to reflect the effects of the Proposed Acquisition as described in the accompanying notes. These pro forma adjustments are (i) directly attributable to the Proposed Acquisition and not relating to other future events or decisions and (ii) factually supportable.

The Unaudited Pro Forma Financial Information has been prepared by the Directors in accordance with paragraph 4.29 of the Listing Rules for illustrative purpose only and is based on certain assumptions, estimates, uncertainties and other currently available information. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of the financial position, results of operations and cash flows of the Enlarged Group had the Proposed Acquisition been completed as at 31 December 2024 or 1 January 2024, where applicable, or at any future dates.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with other financial information included elsewhere in this circular.

Unaudited Pro Forma Consolidated Statement of Financial Position

	The Group as at 31 December 2024	Target Company as at 31 December 2024	Pro forma adjustments		Enlarged Group as at 31 December 2024
	HK\$'000 (Note 1)	HK\$'000 (Note 2)	HK\$'000 (Note 3)	HK\$'000 (Note 4)	HK\$'000
NON-CURRENT ASSETS					
Property, plant and equipment	875,715	24,730	(2,789)	-	897,656
Investment property	54,227	-	-	-	54,227
Right-of-use assets	162,277	15,212	12,973	-	190,462
Goodwill	405	-	33,404	-	33,809
Interests in associates	5,277	-	-	-	5,277
Properties under development	53,674	-	-	-	53,674
Prepayments	33,173	-	-	-	33,173
Long-term receivables	39,558	6	-	-	39,564
Deposits paid	4,902	-	-	-	4,902
Deferred tax assets	37,224	-	-	-	37,224
TOTAL NON-CURRENT ASSETS	1,266,432	39,948	43,588	-	1,349,968
CURRENT ASSETS					
Inventories	826,683	896	-	-	827,579
Accounts and bills receivables	518,455	1,989	-	-	520,444
Prepayments, deposits and other receivables	113,792	158	-	-	113,950
Financial asset at fair value through profit or loss	209	-	-	-	209
Tax recoverable	61	-	-	-	61
Pledged deposits and restricted bank balances	37,285	-	-	-	37,285
Cash and cash equivalents	672,814	456	(83,892)	-	589,378
TOTAL CURRENT ASSETS	2,169,299	3,499	(83,892)	-	2,088,906
CURRENT LIABILITIES					
Accounts and bills payables	607,894	3,092	(2,854)	-	608,132
Accrued liabilities and other payables	167,780	46,544	(46,002)	631	168,953
Due to an associate	947	-	-	-	947
Tax payable	6,406	-	-	-	6,406
Lease liabilities	5,514	-	-	-	5,514
Interest-bearing bank borrowings	697,123	-	-	-	697,123
TOTAL CURRENT LIABILITIES	1,485,664	49,636	(48,856)	631	1,487,075
NET CURRENT ASSETS	683,635	(46,137)	(35,036)	(631)	601,831
TOTAL ASSETS LESS CURRENT LIABILITIES	1,950,067	(6,189)	8,552	(631)	1,951,799

	The Group as at 31 December 2024	Target Company as at 31 December 2024	Pro forma adjustments		Enlarged Group as at 31 December 2024
	HK\$'000 (Note 1)	HK\$'000 (Note 2)	HK\$'000 (Note 3)	HK\$'000 (Note 4)	HK\$'000
NON-CURRENT LIABILITIES					
Interest-bearing bank borrowings	189,812	-	-	-	189,812
Other long-term payables	-	326	-	-	326
Lease liabilities	27,557	-	-	-	27,557
Deferred tax liabilities	10,792	-	2,037	-	12,829
TOTAL NON-CURRENT LIABILITIES	228,161	326	2,037	-	230,524
NET ASSETS	1,721,906	(6,515)	6,515	(631)	1,721,275
EQUITY					
Equity attributable to ordinary equity holders of the Company					
Issued capital	86,992	29,743	(29,743)	-	86,992
Reserves	1,633,696	(36,258)	36,258	(631)	1,633,065
	1,720,688	(6,515)	6,515	(631)	1,720,057
Non-controlling interests	1,218	-	-	-	1,218
TOTAL EQUITY	1,721,906	(6,515)	6,515	(631)	1,721,275

Unaudited Pro Forma Consolidated Statement of Profit or Loss

	The Group for the year ended 31 December 2024	Target Company for the year ended 31 December 2024	Pro forma adjustments	Enlarged Group for the year ended 31 December 2024
	HK\$'000 (Note 1)	HK\$'000 (Note 2)	HK\$'000 (Note 4)	HK\$'000
Revenue	3,824,324	16,540	-	3,840,864
Cost of sales	<u>(3,401,933)</u>	<u>(19,089)</u>	<u>-</u>	<u>(3,421,022)</u>
Gross profit/(loss)	422,391	(2,549)	-	419,842
Other income and gains, net	60,416	(150)	-	60,266
Selling and distribution expenses	(109,430)	(212)	-	(109,642)
Administrative expenses	(282,853)	(1,202)	(631)	(284,686)
Write-back of impairment losses/(impairment losses) on financial assets, net	8,098	(47)	-	8,051
Other operating expenses, net	(135)	-	-	(135)
Finance costs	(57,550)	(250)	-	(57,800)
Share of profits of associates	<u>532</u>	<u>-</u>	<u>-</u>	<u>532</u>
Profit/(Loss) before tax	41,469	(4,410)	(631)	36,428
Income tax expense	<u>(12,974)</u>	<u>-</u>	<u>-</u>	<u>(12,974)</u>
Profit/(Loss) for the year	<u>28,495</u>	<u>(4,410)</u>	<u>(631)</u>	<u>23,454</u>
Attributable to:				
Ordinary equity holders of the Company	28,155	(4,410)	(631)	23,114
Non-controlling interests	<u>340</u>	<u>-</u>	<u>-</u>	<u>340</u>
	<u>28,495</u>	<u>(4,410)</u>	<u>(631)</u>	<u>23,454</u>

Unaudited Pro Forma Consolidated Statement of Comprehensive Income

	The Group for the year ended 31 December 2024	Target Company for the year ended 31 December 2024	Pro forma adjustments	Enlarged Group for the year ended 31 December 2024
	HK\$'000 (Note 1)	HK\$'000 (Note 2)	HK\$'000 (Note 4)	HK\$'000
Profit/(Loss) for the year	28,495	(4,410)	(631)	23,454
Other comprehensive income				
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>				
Exchange differences on translation of foreign operations	-	145	-	145
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:</i>				
Gain on property revaluation	49,418	-	-	49,418
Income tax effect	(7,413)	-	-	(7,413)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	42,005	-	-	42,005
Other comprehensive income for the year	42,005	145	-	42,150
Total comprehensive income/(expenses) for the year	70,500	(4,265)	(631)	65,604
Attributable to:				
Ordinary equity holders of the Company	70,160	(4,265)	(631)	65,264
Non-controlling interests	340	-	-	340
	70,500	(4,265)	(631)	65,604

Unaudited Pro Forma Consolidated Statement of Cash Flows

	The Group for the year ended 31 December 2024	Target Company for the year ended 31 December 2024	Pro forma adjustments		Enlarged Group for the year ended 31 December 2024
	HK\$'000 (Note 1)	HK\$'000 (Note 2)	HK\$'000 (Note 3)	HK\$'000 (Note 4)	HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(Loss) before tax	41,469	(4,410)	-	(631)	36,428
Adjustments for:					
Share of loss of an associate	(532)	-	-	-	(532)
Bank interest income	(6,611)	(2)	-	-	(6,613)
Fair value losses:					
Financial asset at fair value through profit or loss	15	-	-	-	15
Interest on bank loans and overdrafts	54,785	249	-	-	55,034
Amortisation of bank charges on syndicated loans	1,908	-	-	-	1,908
Interest on lease liabilities	857	-	-	-	857
Depreciation of items of property, plant and equipment	203,049	3,045	-	-	206,094
Depreciation of right-of-use assets	12,870	494	-	-	13,364
Amortisation of intangible assets	-	39	-	-	39
Loss on disposal of items of property, plant and equipment, net	1,720	117	-	-	1,837
Provision for inventories, net	-	378	-	-	378
(Write-back)/ impairment of allowance for accounts receivable, net	(8,197)	47	-	-	(8,150)
Write-off of other receivables	99	-	-	-	99
Changes in fair value of investment property	2,221	-	-	-	2,221
Gain on disposal of a subsidiary	(32,598)	-	-	-	(32,598)
	271,055	(43)	-	(631)	270,381
Decrease in inventories	63,100	589	-	-	63,689
Increase in accounts and bills receivables	(15,346)	(1,425)	-	-	(16,771)
Increase in prepayments, deposits and other receivables	(24,733)	(10)	-	-	(24,743)
Decrease in accounts and bills payables	(70,935)	1,568	(2,854)	-	(72,221)
Decrease in accrued liabilities and other payables	(2,805)	4,820	(46,002)	631	(43,356)
CASH GENERATED FROM/ (USED IN) OPERATIONS	220,336	5,499	(48,856)	-	176,979

	The Group for the year ended 31 December 2024	Target Company for the year ended 31 December 2024	Pro forma adjustments		Enlarged Group for the year ended 31 December 2024
	HK\$'000 (Note 1)	HK\$'000 (Note 2)	HK\$'000 (Note 3)	HK\$'000 (Note 4)	HK\$'000
Interest received	6,611	2	-	-	6,613
Interest paid	(54,785)	(249)	-	-	(55,034)
Interest element of lease payments	(857)	-	-	-	(857)
Hong Kong profits tax refunded	2,301	-	-	-	2,301
Hong Kong profits tax paid	(151)	-	-	-	(151)
Overseas taxes refunded	658	-	-	-	658
Overseas taxes paid	(3,660)	-	-	-	(3,660)
NET CASH GENERATED FROM/ (USED IN) OPERATING ACTIVITIES	170,453	5,252	(48,856)	-	126,849
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of items of property, plant and equipment	(86,731)	(723)	-	-	(87,454)
Proceeds from disposal of items of property, plant and equipment	2,347	-	-	-	2,347
Net proceed paid for the acquisition of subsidiary	166	-	(35,036)	-	(34,870)
Disposal of a subsidiary	53,311	-	-	-	53,311
Increase in interest in associates	(3,265)	-	-	-	(3,265)
Increase in long-term receivables	(1,210)	-	-	-	(1,210)
Placement of long-term deposits paid	(2,526)	-	-	-	(2,526)
Withdrawal of pledged deposits and restricted bank balances	8,254	-	-	-	8,254
NET CASH USED IN INVESTING ACTIVITIES	(29,654)	(723)	(35,036)	-	(65,413)
CASH FLOWS FROM FINANCING ACTIVITIES					
Principal portion of lease payments	(6,159)	-	-	-	(6,159)
Drawdown of bank loans	1,646,079	5,289	-	-	1,651,368
Repayment of bank loans	(2,023,993)	(9,612)	-	-	(2,033,605)
NET CASH USED IN FINANCING ACTIVITIES	(384,073)	(4,323)	-	-	(388,396)
NET DECREASE/ (INCREASE) IN CASH AND CASH EQUIVALENTS	(243,274)	206	(83,892)		(326,960)
Cash and cash equivalents at beginning of year	916,088	265	-	-	916,353
Effect of foreign exchange rate changes, net	-	(15)	-	-	(15)
CASH AND CASH EQUIVALENTS AT END OF YEAR	672,814	456	(83,892)	-	589,378

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The exchange rate set out below have been used in the preparation of the adjustment unless specified in the note.

VND1 = HK\$0.0003067

Notes:

1. The amounts are extracted from the audited consolidated financial statements of the Group as set out in the published annual report of the Group for the year ended 31 December 2024.
2. The amounts are extracted from the accountants' report of the Target Company as set out in Appendix II of this circular.

The functional currency and the presentation currency of the Target Company are VND. For the purpose of the unaudited pro forma consolidated statement of financial position, the balances denominated in VND have been translated into HK\$ at VND 1 to HK\$0.0003067, the exchange rate prevailing as at 31 December 2024. For the purpose of unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of comprehensive income, and unaudited pro forma consolidated statement of cash flows, the amounts denominated in VND have been translated into HK\$ at VND1 to HK\$0.0003172, the average exchange rate prevailing for the year ended 31 December 2024.

3. Pursuant to the S&P Agreement, the total consideration of HK\$83,892,000 will be satisfied by cash, including (i) the acquisition of 100% of the share capital of the Target Company amounting to HK\$33,913,000; and (ii) the settlement of debts amounting to HK\$49,979,000. The total consideration is to be satisfied by cash. The Directors expect that the cash consideration will be funded by internal resources of the Group.

Upon the completion of the Proposed Acquisition, the Target Company will become an indirectly held wholly-owned subsidiary of the Company. The identifiable assets and liabilities of the Target Company will be accounted for by the Group at their fair values in accordance with Hong Kong Financial Reporting Standard 3 (Revised) "Business Combination".

For the purpose of the Unaudited Pro Forma Financial Information, the Directors have estimated the fair values of the properties including the land use right and the building on land owned by the Target Company with reference to the valuation report dated 20 March 2025 prepared by Hoang Quan Appraisal Co., Ltd, an independent valuer. The fair value change on the properties apportion to the Target Company acquired through the Proposed Acquisition was approximately HK\$10,184,000. The excess of fair value allocated to properties upon consolidation is then depreciated over the remaining useful life of the assets.

As a result, the identifiable assets and liabilities of the Target Company will be consolidated into the consolidated statement of financial position of the Group. Goodwill arising on the date of the Proposed Acquisition is calculated as follows:

	2024
	HK\$'000
Consideration	<u>83,892</u>
Less:	
Net liabilities of the Target Company as at 31 December 2024	(6,515)
Fair value adjustment on properties apportion to the Target Company acquired through the Proposed Acquisition	10,184
Deferred tax liabilities at 20% relating to the fair value adjustment	(2,037)
The settlement of debt amounts of the Target Company	<u>48,856</u>
Goodwill arising on the date of the Proposed Acquisition	<u>33,404</u>

The amounts of goodwill and fair values of the identifiable assets and liabilities of the Target Company are subject to change upon the completion of the valuation of the fair values of the identifiable assets and liabilities of the Target Company on the date of completion of the Proposed Acquisition. Consequently, the resulting goodwill, the actual allocation of the purchase price at the date of completion will likely result in different amounts than those stated in the Unaudited Pro Forma Financial Information.

In the preparation of this Unaudited Pro Forma Financial Information of the Enlarged Group, the directors of the Company had performed an impairment assessment of the goodwill, property, plant and equipment and right-of-use assets in accordance with Hong Kong Accounting Standard 36 “Impairment of Assets”. Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss will be recognised. An impairment loss recognised for goodwill will not be reversed in a subsequent period.

Based on the latest information available to us when preparing the Unaudited Pro Forma Financial Information, no impairment of goodwill has been recognised by the Group. This impairment was determined based on the recoverable amount of the Target Company, determined based on the value in use of the Target Company. The Group adopts the same accounting policy for the impairment of goodwill for the goodwill arising from the Proposed Acquisition.

4. It represents the estimated legal and professional fees and other direct expenses in relation to the Proposed Acquisition of approximately HK\$631,000.
5. Other than the above adjustments, no other adjustment had been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions that the Enlarged Group and the Target Company entered subsequent to 31 December 2024. The above adjustments are not expected to have a continuing effect on the unaudited pro forma financial information of the Enlarged Group.