



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

2025 INTERIM REPORT

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Tai Chin Chun (*Chairman*)
Mr. Tai Chin Wen (*Chief Executive Officer*)
Ms. Cheung So Wan (*Chief Operating Officer*)
Ms. Wong Siu Yuk

Non-Executive Director

Mr. Lei Heong Man

Independent Non-Executive Directors

Mr. Ho Gilbert Chi Hang
Mr. Ting Kay Loong
Mr. Wu Tak Lung

Audit Committee

Mr. Wu Tak Lung (*Chairman*)
Mr. Ho Gilbert Chi Hang
Mr. Ting Kay Loong

Remuneration Committee

Mr. Ting Kay Loong (*Chairman*)
Mr. Ho Gilbert Chi Hang
Mr. Wu Tak Lung
Mr. Tai Chin Chun
Mr. Tai Chin Wen

Nomination Committee

Mr. Ho Gilbert Chi Hang (*Chairman*)
Mr. Ting Kay Loong
Mr. Wu Tak Lung
Mr. Tai Chin Wen
Ms. Cheung So Wan

Company Secretary

Mr. Chang Man Kwong

Auditors

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

Company Website

www.kamhingintl.com

Registered Office

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head Office and Principal Place of Business in Hong Kong

23A, TML Tower
No. 3 Hoi Shing Road
Tsuen Wan
New Territories
Hong Kong

Principal Share Registrar and Transfer Office in Cayman Islands

Conyers Trust Company (Cayman)
Limited
Cricket Square
Hutchins Drive
P. O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Branch Share Registrar and Transfer Office in Hong Kong

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

Stock Code

The Stock Exchange of
Hong Kong Limited: 02307

MANAGEMENT DISCUSSION AND ANALYSIS

The board (the “Board”) of directors (the “Directors”) of Kam Hing International Holdings Limited (the “Company”) hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2025 (the “Period”). The interim financial information is not audited but has been reviewed by the audit committee of the Company (the “Audit Committee”).

Market Review

In the first half of 2025, the textile and garment industry faced significant uncertainties due to global economic challenges and trade disruptions. The United States (“U.S.”) economy exhibited mixed performance, with real GDP increasing at an annual rate of 3.0% in the second quarter, following a 0.5% decline in the first quarter. Consequently, overall GDP growth for the Period averaged approximately 1.25%, indicating a slowdown compared to the previous two years. More significantly, high and shifting tariffs announced by the Trump administration in the U.S. on major trade partners intensified trade tensions, creating substantial uncertainties and disrupting global supply chains. Combined with broader economic pressures and regional political instability, these factors heightened fears of a global economic recession and led to cautious consumer behaviour, resulting in a challenging business environment for the industry.

As tariff policies evolved alongside trade negotiations, a phenomenon of front-loading garment goods to the U.S. emerged, with importers accelerating shipments ahead of the new tariffs. The shipment growth observed in the first half of 2025 should be viewed as a consequence of tariff distortion rather than underlying strength. In contrast, many upstream textile suppliers faced delayed and reduced orders, leading to intensified market competition. Ongoing consolidation in the textile industry has been observed, as brand customers increasingly prefer to place orders with large manufacturers capable of multiple-location operations, while smaller players struggle amid uncertain order volumes.

In China, consumer confidence began to show early signs of stability, bolstered by government measures aimed at stimulating domestic consumption. Despite these positive developments, the Consumer Confidence Index remained near historically low levels, reflecting cautious spending driven by ongoing market uncertainties. A growing number of consumers prioritised value-driven purchases, signalling a shift towards quality and personal fulfilment. These evolving consumer behaviours continued to pose challenges for industries striving to adapt to changing demands and maintain growth in an unpredictable economic environment.

Business Overview

In the first half of 2025, the Group's textile and garment business maintained a stable performance despite intense market competition and geopolitical uncertainties. With its textile products primarily sold to garment manufacturers in Asia and garment products exported to Europe and Canada, the direct impact of U.S. tariffs on the Group was minimal. On the other hand, the Group's strengthened "China + Vietnam + Cambodia" production triangle enabled it to secure orders from global brand customers by offering multi-location manufacturing solutions. Overall revenue of the Group for the Period increased by approximately 1.8% year-on-year ("yoy") to approximately HK\$1,843.0 million, with gross profit increased by approximately 5.9% yoy to approximately HK\$209.5 million. The Group achieved a profit attributable to ordinary equity holders of HK\$6.4 million, representing an increase of 68.0% yoy. The basic earnings per share for the Period was approximately HK0.7 cent.

For the Period, revenue generated from textile business and garment business accounted for approximately 77.7% and 22.3% of the overall revenue respectively. The textile business was supported by the Group's production bases in China and Vietnam, while the factories in Cambodia mainly manufactured garment products. Both textile business and garment business maintained stable revenue levels for the Period.

In April 2025, the Group successfully completed the acquisition of Korea Textile & Dyeing Support Services Joint Stock Company which subsequently changed its name to Kam Hing (Vietnam) Textile Printing and Dyeing Company Limited ("KHV") for a total cash consideration of US\$4,347,894 (approximately HK\$33,913,000) as the purchase price, along with US\$6,407,597 (approximately HK\$49,979,000) to settle debts owed by KHV to the vendors. KHV specialises in the manufacturing of dyed fabrics. This acquisition significantly enhances the Group's textile manufacturing capabilities in Vietnam and supports its dual-location textile solutions strategy. With a ready-to-use manufacturing base, including factory facilities, machinery, and labour, the Group rapidly increased its production capacity in Vietnam to meet the growing demand for knitted textiles from local and regional garment manufacturers. In order to better utilise the floor area of the factory, the Group has been investing in the second half of 2025 to renovate some of the existing plants, thereby increasing the usable floor area of the factory with the aim of boosting production capacity. To further improve operational efficiency, the Group has initiated upgrades to part of its production lines through the integration of advanced machinery and equipment. Completion of this upgrade is expected to take place in the second half of the year and the upgraded production lines are expected to commence production in early 2026.

Business Overview (continued)

The Group's prior investments in the expansion of garment production capacity in Cambodia began to yield results in the first half of 2025. The increased production capacity enabled the Group to fulfil more orders efficiently while enhancing operational responsiveness to customer needs with its research and development capabilities, enabling product innovation and the delivery of value-added products and services. These strategic efforts shielded the Group from market pressures, enhancing its ability to serve existing customers and positioning it competitively to capture new orders in a challenging landscape.

Amid persistent uncertainties, the Group actively optimised its business structure and evaluated its financial position to enhance operating efficiency. In response to the evolving geopolitical landscape, the Group is strategically expanding its business into the Southeast Asian region to seize current market opportunities. Earlier in April 2025, the Group acquired KHV, a Vietnam-based company that operates a dyeing factory. In June 2025, the Group secured new financing, further reinforcing its capital base and supporting its future development, which led to an increase in bank borrowings compared with the year end of 2024. Despite the increase in bank borrowings, interest expenses were reduced by approximately 31.0% due to the decrease in interest rate. This also demonstrates the Group's prudent financial management, reinforcing the Group's financial resilience and maintaining profitability.

Prospects

The global economy growth prospects in 2025 remains fragile and uncertain, despite a lower average U.S. tariff rate on trade partners than previously announced. Tariffs are still historically high, which could continue to weigh on economic activities worldwide. The International Monetary Fund (IMF) projects global growth at 3.0% in 2025 and 3.1% in 2026, below the historical average of 3.7%. This signals ongoing pressure on supply chains and business environments. Weaker consumer sentiment has led retailers to adopt a cautious procurement approach to maintain low level of inventory, intensifying pressure on the supply side of the textile and garment sectors.

Prospects (continued)

As the Group enters the second half of 2025, it remains focused on closely monitoring the rapidly changing environment and optimising its operations and financials to adapt accordingly. The strategic establishment of the “China + Vietnam + Cambodia” production triangle in previous years has positioned the Group to effectively manage geopolitical and market risks. Amid significant uncertainties and potential declines in market demand due to tariffs affecting consumer prices in the U.S., the Group will leverage its vertically integrated manufacturing network in Southeast Asia to deliver exceptional products and services with flexibility and added value, aiming to capture larger market shares under this dynamic global landscape. Additionally, the Group plans to strengthen its supply chain by increasing local sourcing, thereby maintaining its cost advantage and competitiveness. The Group is committed to enhancing its operations to drive sustainable development.

Financial Review

Revenue

Overall sales turnover during the Period was approximately HK\$1,843.0 million, representing an increase of approximately 1.8% (six months ended 30 June 2024: approximately HK\$1,810.9 million). Sales turnover was maintained at a stable level, supported by steady demand for the Group's fabrics and garments products.

Gross Profit and Gross Profit Margin

Gross profit during the Period was approximately HK\$209.5 million, representing an increase of approximately 5.9% (six months ended 30 June 2024: approximately HK\$197.9 million). Gross profit margin increased to approximately 11.4% (six months ended 30 June 2024: approximately 10.9%). This was mainly attributable to relatively good margin orders accounting for a high proportion of all the orders compared to the same period last year.

Financial Review (continued)

Other Income and Gains, Net

Other income and gains, net during the Period of approximately HK\$35.9 million (six months ended 30 June 2024: approximately HK\$33.3 million) mainly comprised income received from provision of sewage treatment of approximately HK\$14.8 million (six months ended 30 June 2024: approximately HK\$12.1 million), fee income from freight handling services of approximately HK\$3.6 million (six months ended 30 June 2024: approximately HK\$3.8 million), subsidy income of approximately HK\$4.2 million (six months ended 30 June 2024: approximately HK\$0.1 million), bank interest income of approximately HK\$2.0 million (six months ended 30 June 2024: approximately HK\$4.3 million). The remaining balance mainly derived from sales of scrap.

Selling and Distribution Expenses

Selling and distribution expenses during the Period increased to approximately HK\$65.0 million (six months ended 30 June 2024: approximately HK\$52.6 million). The increase is mainly due to the significant increase in freight charges.

Administrative Expenses

Administrative expenses, including salaries, depreciation, customs declaration and other related expenses, decreased to approximately HK\$135.1 million during the Period (six months ended 30 June 2024: approximately HK\$138.6 million). Amid ongoing global economic uncertainty, the Group has adopted a prudent approach on cost control. The Group remains committed to continuously optimising its organisational structure to enhance cost efficiency and operational effectiveness.

Financial Review (continued)

Other Operating Expenses, Net

During the Period, other operating expenses, net was approximately HK\$13.6 million (six months ended 30 June 2024: approximately HK\$8.7 million), mainly comprising operating expenses on sewage treatment of approximately HK\$14.7 million (six months ended 30 June 2024: approximately HK\$11.0 million), loss on disposal of items of property, plant and equipment of approximately HK\$1.9 million (six months ended 30 June 2024: approximately HK\$0.3 million) and foreign exchange gain of approximately HK\$3.0 million (six months ended 30 June 2024: approximately HK\$2.6 million).

Finance Costs

Finance costs for the Period were approximately HK\$22.4 million (six months ended 30 June 2024: approximately HK\$31.8 million), comprising interest on bank loans of approximately HK\$15.8 million (six months ended 30 June 2024: approximately HK\$21.4 million), amortisation of bank charges on term loans of approximately HK\$1.4 million (six months ended 30 June 2024: approximately HK\$1.0 million), interest on trade loan and discounted bills of approximately HK\$4.4 million (six months ended 30 June 2024: approximately HK\$8.9 million) and interest on lease liabilities of approximately HK\$0.8 million (six months ended 30 June 2024: approximately HK\$0.4 million). The decrease in finance costs was primarily driven by the reduction in prevailing bank interest rates in Hong Kong compared to the same period last year.

Net Profit

Net profit attributable to ordinary equity holders of the Company for the Period was approximately HK\$6.4 million (six months ended 30 June 2024: approximately HK\$3.8 million). The increase in profit is primarily attributable to the improved gross profit margin and the decrease in administrative expenses and finance costs as mentioned above.

Contingent Liabilities

As at 30 June 2025, the Group did not have any significant contingent liabilities (31 December 2024: Nil).

Financial Review (continued)

Liquidity and Financial Resources

As at 30 June 2025, the Group's net current assets were approximately HK\$762.8 million (31 December 2024: approximately HK\$683.6 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 2025, the Group had cash and cash equivalents of approximately HK\$637.2 million (31 December 2024: approximately HK\$672.8 million). Current ratio as at 30 June 2025 was approximately 1.5 times (31 December 2024: approximately 1.5 times).

As at 30 June 2025, total bank borrowings of the Group were approximately HK\$989.8 million (31 December 2024: approximately HK\$886.9 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 2025 was approximately 39.0% (31 December 2024: approximately 37.3%). Net debts comprise all interest-bearing bank borrowings, accounts and bills payables, accrued liabilities and other payables, an amount due to an associate and lease liabilities less cash and cash equivalents. Equity comprises owners' equity as stated in the condensed consolidated financial statements.

Financing

As at 30 June 2025, the Group's long-term loans were approximately HK\$298.8 million (31 December 2024: approximately HK\$189.8 million), comprising term loans from banks.

Interim Dividend

The Board has resolved not to recommend the payment of an interim dividend for the Period (six months ended 30 June 2024: Nil).

Financial Review (continued)

Foreign Exchange Risk and Interest Rate Risk

Approximately 84.2% (six months ended 30 June 2024: approximately 83.1%) of the Group's sales was denominated in U.S. dollars. The remaining sales were denominated in Hong Kong dollars and Renminbi. The majority of the Group's costs of sales were denominated in U.S. dollars, Hong Kong dollars and Renminbi. The Group is therefore exposed to foreign exchange risks arising from currency exposures, primarily in respect to the Renminbi. The exchange rates of other currencies were relatively stable throughout the Period and the impact of exchange rate fluctuation is immaterial to 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 2025, none of the Group's land and buildings were pledged (31 December 2024: Nil) and HK\$35.4 million (31 December 2024: HK\$36.0 million) of deposits were pledged for bills payable of HK\$87.4 million (31 December 2024: HK\$110.5 million). As at 30 June 2025, the restricted bank balances were Nil (31 December 2024: HK\$1.3 million due to a freezing order from a district court in the PRC under a legal case against one of subsidiaries of the Company).

Capital Expenditure

For the Period, the Group invested approximately HK\$52.8 million (six months ended 30 June 2024: approximately HK\$46.3 million) in capital expenditure of which approximately 97.8% (six months ended 30 June 2024: approximately 74.4%) was used for the purchase of plant and machinery and the remaining was used for the construction of factory premises and purchase of other equipments.

As at 30 June 2025, the Group had capital commitments of approximately HK\$37.0 million (31 December 2024: approximately HK\$13.0 million) in property, plant and equipment and right-of-use assets and HK\$176.2 million (31 December 2024: approximately HK\$176.2 million) in construction of new manufacturing facilities. All are funded or will be funded by internal resources.

Financial Review (continued)

Significant Investment

As at 30 June 2025, 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

On 27 January 2025, the Group entered into a sale and purchase agreement (as supplemented on 27 February 2025) to acquire 100% equity interest in KHV (the "Acquisition") from independent third parties (the "Vendors") at a cash consideration comprising US\$4,347,894 (equivalent to approximately HK\$33,913,000) as the purchase price of the shares of KHV and US\$6,407,597 (equivalent to approximately HK\$49,979,000) as the settlement amount of the debts owed by KHV to the Vendors and their related parties. Completion of the Acquisition has taken place in April 2025. KHV has thereafter become an indirect wholly-owned subsidiary of the Company. Further details of the Acquisition were set out in the announcements of the Company dated 27 January 2025, 27 February 2025 and 30 April 2025, and the circular of the Company dated 26 May 2025.

Save as disclosed above, there was no material acquisition or disposal of subsidiaries, associates and joint ventures by the Group during the Period.

Event After the Reporting Period

There were no significant events after the reporting period which would materially affect the Group's operations and financial performance.

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.

Financial Review (continued)

Equity Fund Raising Exercise

There was no equity fund raising or sale of treasury shares by the Company during the Period, nor were there any unutilised proceeds brought forward from any issue of equity securities or sale of treasury shares made in previous financial years.

Staff Policy

The Group had 3,575 (31 December 2024: 3,638) employees in the PRC, 3,348 employees in Cambodia (31 December 2024: 3,356) and 297 employees in Hong Kong, Macau, Singapore and other territories (31 December 2024: 187) as at 30 June 2025. 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 (Cap. 485 of the Laws of Hong Kong) as well as medical insurance for all its employees in Hong Kong. The Group also participates in various defined contribution plans and insurance schemes in compliance with its statutory obligations under the relevant laws and regulations of the 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.

OTHER INFORMATION

Disclosure of Change of Directors' Information under Rule 13.51B(1) of the Listing Rules

The changes in information of the Directors which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

Mr. Ho Gilbert Chi Hang, an independent non-executive Director, has resigned as the vice chairman of the China Committee of the Hong Kong General Chamber of Commerce with effect from 11 July 2025.

Mr. Wu Tak Lung, an independent non-executive Director, has ceased to be an independent non-executive director of Henan Jinma Energy Company Limited (stock code: 6885) with effect from 16 June 2025.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Directors' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2025, the interests and short positions of the Directors or the chief executive of the Company in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Listing Rules, were as follows:

Directors' Interests and Short Positions in Shares and Underlying Shares (continued)

Long positions in ordinary shares and underlying shares of the Company:

Name of Director	Notes	Capacity and nature of interest			Total interests (shares)	Approximate percentage of the Company's issued share capital (%)
		Beneficial owner (shares)	Interest of spouse (shares)	Interest in controlled corporation (shares)		
Mr. Tai Chin Chun	1	3,000,000	1,000,000	332,600,000	336,600,000	38.69
Mr. Tai Chin Wen	2	2,000,000	1,000,000	96,000,000	99,000,000	11.38
Ms. Cheung So Wan	3	1,000,000	335,600,000	–	336,600,000	38.69
Ms. Wong Siu Yuk	4	1,000,000	98,000,000	–	99,000,000	11.38
Mr. Lei Heong Man		200,000	–	–	200,000	0.02

Notes:

- 332,600,000 shares are held by Exceed Standard Limited ("Exceed Standard"), a company incorporated in the British Virgin Islands (the "BVI") and beneficially owned by Mr. Tai Chin Chun, the chairman and an executive Director. Mr. Tai Chin Chun is also a director of Exceed Standard, which has an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO. As Ms. Cheung So Wan is his spouse, Mr. Tai Chin Chun is deemed to be interested in the 1,000,000 shares held by Ms. Cheung So Wan under the SFO.
- 96,000,000 shares are held by Power Strategy Limited ("Power Strategy"), a company incorporated in the BVI and beneficially owned by Mr. Tai Chin Wen, an executive Director. Mr. Tai Chin Wen is also a director of Power Strategy, which has an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO. As Ms. Wong Siu Yuk is his spouse, Mr. Tai Chin Wen is deemed to be interested in the 1,000,000 shares held by Ms. Wong Siu Yuk under the SFO.

Directors' Interests and Short Positions in Shares and Underlying Shares (continued)

Notes: (continued)

3. Ms. Cheung So Wan is deemed to be interested in the shares held by her spouse, Mr. Tai Chin Chun, under the SFO.
4. Ms. Wong Siu Yuk is deemed to be interested in the shares held by her spouse, Mr. Tai Chin Wen, under the SFO.

Save as disclosed above, as at 30 June 2025, none of the Directors or the chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Option Scheme

The Company adopted a share option scheme (the "Scheme") on 9 June 2014 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Scheme has expired on 8 June 2024. No share option had been granted by the Company under the Scheme since its date of adoption and upon its expiry, no further share options will be granted under the Scheme. There was no outstanding share option under the Scheme as at 1 January 2025 and 30 June 2025. No share option was available for grant under the Scheme mandate as at 1 January 2025 and 30 June 2025.

Persons who Have an Interest or Short Position which is Discloseable under Divisions 2 and 3 of Part XV of The SFO

So far as is known to the Directors and the chief executive of the Company, as at 30 June 2025, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Long positions in ordinary shares and underlying shares of the Company:

Name	Capacity and nature of interest (Note)	Number of ordinary shares held	Percentage of the Company's issued share capital (%)
Exceed Standard	Beneficial owner	332,600,000	38.23
Power Strategy	Beneficial owner	96,000,000	11.04

Note: The relationship between Exceed Standard and Mr. Tai Chin Chun, as well as that between Power Strategy and Mr. Tai Chin Wen are disclosed in the notes under the section headed "Directors' Interests and Short Positions in Shares and Underlying Shares" above.

Save as disclosed above, as at 30 June 2025, no person, other than the Directors or the chief executive of the Company whose interests are set out under the section headed "Directors' Interests and Short Positions in Shares and Underlying Shares" above, had an interest or short position in the shares or underlying shares of the Company that was recorded in the register required to be kept under section 336 of the SFO.

Purchase, Redemption or Sale of Listed Securities of the Company

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities (including the sale of treasury shares (as defined under the Listing Rules)) during the Period. As at 30 June 2025, there were no treasury shares held by the Company.

Corporate Governance

The Company is committed to maintaining good corporate governance practices. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth and enhancing shareholders value. The Company has applied the principles and met the relevant code provisions set out in the Corporate Governance Code in Part 2 of Appendix C1 to 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 the management the accounting policies adopted by the Group and reviewed the unaudited interim financial statements of the Group for the Period before recommending them to the Board for approval.

Model Code for Securities Transactions by Directors ("Model Code")

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as the code of conduct for securities transactions by Directors. Having made specific enquiry of all Directors, the Directors confirmed that they have complied with the required standard set out in the Model Code for the Period.

Approval of the Unaudited Interim Financial Statements

The unaudited interim financial statements were approved and authorised for issue by the Board on 19 August 2025.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2025

	Notes	Six months ended 30 June 2025 HK\$'000 (Unaudited)	Six months ended 30 June 2024 HK\$'000 (Unaudited)
REVENUE	2, 3	1,842,985	1,810,902
Cost of sales		(1,633,465)	(1,613,029)
Gross profit		209,520	197,873
Other income and gains, net	3	35,823	33,274
Selling and distribution expenses		(65,039)	(52,551)
Write-back of impairment on financial assets, net		224	4,727
Administrative expenses		(135,128)	(138,618)
Other operating expenses, net		(13,641)	(8,667)
Finance costs		(22,374)	(31,766)
Share of losses of associates		(359)	(68)
PROFIT BEFORE TAX	4	9,026	4,204
Income tax expense	5	(2,716)	(234)
PROFIT FOR THE PERIOD		6,310	3,970
Attributable to:			
Ordinary equity holders of the Company		6,411	3,815
Non-controlling interests		(101)	155
		6,310	3,970
Interim dividend	6	Nil	Nil
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	7	HK0.7 cent	HK0.4 cent
Diluted	7	HK0.7 cent	HK0.4 cent

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2025

	Six months ended 30 June 2025 HK\$'000 (Unaudited)	Six months ended 30 June 2024 HK\$'000 (Unaudited)
PROFIT FOR THE PERIOD	6,310	3,970
OTHER COMPREHENSIVE INCOME	–	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	6,310	3,970
Attributable to:		
Ordinary equity holders of the Company	6,411	3,815
Non-controlling interests	(101)	155
	6,310	3,970

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2025

	Notes	30 June 2025 HK\$'000 (Unaudited)	31 December 2024 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	856,042	875,715
Investment property		54,227	54,227
Right-of-use assets		190,521	162,277
Goodwill		32,621	405
Interests in associates		4,918	5,277
Properties under development		53,674	53,674
Prepayments		29,273	33,173
Long-term receivables		39,679	39,558
Deposits paid		6,146	4,902
Deferred tax assets		34,948	37,224
Total non-current assets		1,302,049	1,266,432
CURRENT ASSETS			
Inventories		840,921	826,683
Accounts and bills receivables	9	526,094	518,455
Prepayments, deposits and other receivables		137,314	113,792
Financial asset at fair value through profit or loss		111	209
Tax recoverable		3,597	61
Pledged deposits and restricted bank balances		35,448	37,285
Cash and cash equivalents		637,150	672,814
Total current assets		2,180,635	2,169,299

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(continued)

As at 30 June 2025

	Note	30 June 2025 HK\$'000 (Unaudited)	31 December 2024 HK\$'000 (Audited)
CURRENT LIABILITIES			
Accounts and bills payables	10	562,680	607,894
Accrued liabilities and other payables		148,894	167,780
Due to an associate		947	947
Tax payable		8,640	6,406
Lease liabilities		5,667	5,514
Interest-bearing bank borrowings		691,018	697,123
Total current liabilities		1,417,846	1,485,664
NET CURRENT ASSETS		762,789	683,635
TOTAL ASSETS LESS CURRENT LIABILITIES		2,064,838	1,950,067
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		298,754	189,812
Lease liabilities		31,194	27,557
Deferred tax liabilities		12,763	10,792
Total non-current liabilities		342,711	228,161
Net assets		1,722,127	1,721,906
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital		86,992	86,992
Reserves		1,634,018	1,633,696
		1,721,010	1,720,688
Non-controlling interests		1,117	1,218
Total equity		1,722,127	1,721,906

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2025

	Attributable to ordinary equity holders of the Company								Non-controlling interests	Total equity
	Issued capital	Share premium	Capital reserve	Statutory surplus reserve	Asset revaluation reserve	Other reserve	Exchange reserve	Retained profits	Total	
	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
At 1 January 2024	86,992	446,105	104,804	74,331	-	(11,979)	(100,741)	1,051,016	1,650,528	(77)
Profit for the period	-	-	-	-	-	-	-	3,815	3,815	155
At 30 June 2024	86,992	446,105	104,804	74,331	-	(11,979)	(100,741)	1,054,831	1,654,343	78
At 1 January 2025	86,992	446,105	104,804	74,331	42,005	(11,979)	(100,741)	1,079,171	1,720,688	1,218
Profit for the period	-	-	-	-	-	-	-	6,411	6,411	(101)
Dividend declared in respect of the previous year	-	-	-	-	-	-	-	(6,089)	(6,089)	-
At 30 June 2025	86,992	446,105	104,804	74,331	42,005	(11,979)	(100,741)	1,079,493	1,721,010	1,117

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2025

	Six months ended 30 June 2025 HK\$'000 (Unaudited)	Six months ended 30 June 2024 HK\$'000 (Unaudited)
NET CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES	5,135	(107,490)
Purchases of items of property, plant and equipment	(52,779)	(46,319)
Acquisition of a subsidiary	(80,850)	–
Decrease/(increase) in pledged deposits	1,837	(123)
Other cash flow used in investing activities	(1,004)	(324)
NET CASH FLOW USED IN INVESTING ACTIVITIES	(132,796)	(46,766)
Drawdown of bank loans	1,063,414	948,131
Repayment of bank loans	(961,984)	(1,287,851)
Principal portion of lease payments	(3,344)	(3,157)
Dividend paid	(6,089)	–
NET CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES	91,997	(342,877)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(35,664)	(497,133)
Cash and cash equivalents at beginning of period	672,814	916,088
CASH AND CASH EQUIVALENTS AT END OF PERIOD	637,150	418,955
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	637,150	418,955

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1.1 BASIS OF PRESENTATION

The interim condensed consolidated financial statements for the six months ended 30 June 2025 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 D2 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 2024, except for the adoption of the following amended HKFRS Accounting Standard for the first time for the Period’s financial information.

Amendments to HKAS 21	<i>Lack of Exchangeability</i>
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The adoption of this amended HKFRS Accounting Standard 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, sales of dyed yarns and provision of related subcontracting services;
- (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 and the provision of air and ocean freight handling services.

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.

2. OPERATING SEGMENT INFORMATION (continued)

	Fabric HK\$'000	Garment HK\$'000	Others HK\$'000	Total HK\$'000
Six months ended 30 June 2025 (Unaudited)				
Segment revenue:				
Revenue from external customers	1,432,714	410,271	–	1,842,985
Intersegment sales	130,083	–	–	130,083
	1,562,797	410,271	–	1,973,068 (130,083)
Elimination of intersegment sales				1,842,985
Segment profit/(loss)	29,828	(283)	(574)	28,971
Bank interest income	1,943	70	21	2,034
Finance costs (other than interest on lease liabilities)	(21,551)	(69)	–	(21,620)
Share of losses of associates	–	(359)	–	(359)
Profit/(loss) before tax	10,220	(641)	(553)	9,026
Income tax (expense)/credit	(3,099)	165	218	(2,716)
Profit/(loss) for the period	7,121	(476)	(335)	6,310
As at 30 June 2025 (Unaudited)				
Assets and liabilities				
Segment assets	2,691,656	627,441	123,721	3,442,818
Interest in associates	–	4,918	–	4,918
Deferred tax assets	15,471	–	19,477	34,948
Total assets	2,707,127	632,359	143,198	3,482,684
Segment liabilities	(1,640,760)	(99,712)	(7,322)	(1,747,794)
Deferred tax liabilities	(9,223)	–	(3,540)	(12,763)
Total liabilities	(1,649,983)	(99,712)	(10,862)	(1,760,557)
Other segment information:				
Six months ended 30 June 2025 (Unaudited)				
Depreciation of property, plant and equipment	83,493	5,784	1,996	91,273
Depreciation of right-of-use assets	5,189	1,528	401	7,118
Capital expenditure	51,417	1,190	172	52,779

2. OPERATING SEGMENT INFORMATION (continued)

	Fabric HK\$'000	Garment HK\$'000	Others HK\$'000	Total HK\$'000
Six months ended 30 June 2024				
(Unaudited)				
Segment revenue:				
Revenue from external customers	1,477,142	333,760	–	1,810,902
Intersegment sales	61,229	–	–	61,229
	1,538,371	333,760	–	1,872,131
Elimination of intersegment sales				(61,229)
				1,810,902
Segment profit	30,858	212	197	31,267
Bank interest income	4,202	128	18	4,348
Finance costs (other than interest on lease liabilities)	(31,328)	(15)	–	(31,343)
Share of loss of an associate	–	(68)	–	(68)
Profit before tax	3,732	257	215	4,204
Income tax (expense)/credit	(67)	(288)	121	(234)
Profit/(loss) for the period	3,665	(31)	336	3,970
As at 31 December 2024 (Audited)				
Assets and liabilities				
Segment assets	2,602,921	630,202	160,107	3,393,230
Interest in associates	–	5,277	–	5,277
Deferred tax assets	17,747	–	19,477	37,224
Total assets	2,620,668	635,479	179,584	3,435,731
Segment liabilities	(1,514,627)	(33,190)	(155,216)	(1,703,033)
Deferred tax liabilities	(7,079)	–	(3,713)	(10,792)
Total liabilities	(1,521,706)	(33,190)	(158,929)	(1,713,825)
Other segment information:				
Six months ended 30 June 2024				
(Unaudited)				
Depreciation of property, plant and equipment	103,867	6,802	360	111,029
Depreciation of right-of-use assets	2,278	–	–	2,278
Capital expenditure	27,654	15,292	3,373	46,319

2. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	Six months ended 30 June 2025 HK\$'000 (Unaudited)	Six months ended 30 June 2024 HK\$'000 (Unaudited)
Korea	815,989	795,036
Mainland China	262,248	281,639
Singapore	164,003	137,956
Hong Kong	132,745	141,684
Taiwan	90,856	80,562
United States	76,654	67,125
Vietnam	49,114	62,666
Others	251,376	244,234
	1,842,985	1,810,902

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

(b) Non-current assets

	30 June 2025 HK\$'000 (Unaudited)	31 December 2024 HK\$'000 (Audited)
Mainland China	775,139	907,950
Cambodia	140,819	146,083
Hong Kong	118,570	74,171
Vietnam	104,776	4,859
Singapore	1,824	2,191
Others	–	317
	1,141,128	1,135,571

The non-current assets information above is based on the location of assets and excludes certain non-current assets such as goodwill, long-term receivables and deferred tax assets.

2. OPERATING SEGMENT INFORMATION (continued)

Information about a major customer

Revenue from customer amounted to over 10% of the Group's total revenue is as follows:

	Six months ended 30 June 2025 HK\$'000 (Unaudited)	Six months ended 30 June 2024 HK\$'000 (Unaudited)
Customer A	348,155	319,916

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

3. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and services rendered by the Group.

An analysis of the revenue, other income and gains, is as follows:

	Six months ended 30 June 2025 HK\$'000 (Unaudited)	Six months ended 30 June 2024 HK\$'000 (Unaudited)
Revenue from contracts with customers		
Production and sale of knitted fabric and dyed yarn	1,432,714	1,477,142
Production and sale of garment products and provision of related subcontracting services	410,271	333,760
	1,842,985	1,810,902

3. REVENUE, OTHER INCOME AND GAINS (continued)

Disaggregated revenue information

For the six months ended 30 June 2025

Segments	Fabric HK\$'000	Garment HK\$'000	Total HK\$'000
Types of goods or services			
Sale of goods	1,425,433	390,718	1,816,151
Subcontracting services	7,281	19,553	26,834
Total revenue from contracts with customers	1,432,714	410,271	1,842,985
Geographical markets			
Korea	815,989	–	815,989
Mainland China	104,666	157,582	262,248
Singapore	129,763	34,240	164,003
Hong Kong	107,377	25,368	132,745
Taiwan	90,856	–	90,856
United States	3	76,651	76,654
Vietnam	49,114	–	49,114
Others	134,946	116,430	251,376
Total revenue from contracts with customers	1,432,714	410,271	1,842,985
Timing of revenue recognition			
At a point in time	1,432,714	410,271	1,842,985

3. REVENUE, OTHER INCOME AND GAINS (continued)

Disaggregated revenue information (continued)

For the six months ended 30 June 2024

Segments	Fabric HK\$'000	Garment HK\$'000	Total HK\$'000
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Types of goods or services

Sale of goods	1,477,142	313,024	1,790,166
Subcontracting services	–	20,736	20,736

Total revenue from contracts with customers	1,477,142	333,760	1,810,902
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Geographical markets

Korea	795,036	–	795,036
Mainland China	180,166	101,473	281,639
Hong Kong	125,716	15,968	141,684
Singapore	103,716	34,240	137,956
Taiwan	80,562	–	80,562
United States	31	67,094	67,125
Vietnam	62,666	–	62,666
Others	129,249	114,985	244,234

Total revenue from contracts with customers	1,477,142	333,760	1,810,902
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Timing of revenue recognition

At a point in time	1,477,142	333,760	1,810,902
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3. REVENUE, OTHER INCOME AND GAINS (continued)

	Six months ended 30 June 2025 HK\$'000 (Unaudited)	Six months ended 30 June 2024 HK\$'000 (Unaudited)
Other income		
Bank interest income	2,034	4,348
Subsidy income	4,212	48
Fee income from sewage treatment	14,831	12,061
Fee income from freight handling services	3,622	3,778
Others	11,222	13,033
	35,921	33,268
(Losses)/gains, net		
Fair value (losses)/gains:		
Financial assets at fair value through profit or loss – held for trading	(98)	6
Other income and gains	35,823	33,274

4. PROFIT BEFORE TAX

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

	Six months ended 30 June 2025 HK\$'000 (Unaudited)	Six months ended 30 June 2024 HK\$'000 (Unaudited)
Cost of inventories sold and services provided	1,633,465	1,613,029
Research and development costs	20,595	26,011
Depreciation of items of property, plant and equipment	91,273	111,029
Depreciation of right-of-use assets	7,118	2,278
Employee benefits expense (including directors' remuneration):		
Wages and salaries	257,365	253,536
Pension scheme contributions	29,475	24,783
	286,840	278,319
Loss on disposal of items of property, plant and equipment	1,908	298
Write-back of impairment, net:		
Write-back of impairment of accounts receivables, net	(224)	(4,727)
Fair value losses/(gains):		
Financial assets at fair value through profit or loss – held for trading	98	(6)
Foreign exchange differences, net	(3,043)	(2,620)

5. INCOME TAX

	Six months ended 30 June 2025 HK\$'000 (Unaudited)	Six months ended 30 June 2024 HK\$'000 (Unaudited)
Current tax – Hong Kong		
Charge for the period	–	288
Over-provision in prior years	(165)	–
Current tax – Elsewhere		
Charge for the period	318	51
Under/(over)-provision in prior years	476	(142)
Deferred tax expense	2,087	37
Total tax charge for the period	2,716	234

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 2024: 16.5%), except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (six months ended 30 June 2024: HK\$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% (six months ended 30 June 2024: 8.25%) and the remaining assessable profits are taxed at 16.5% (six months ended 30 June 2024: 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 2025 and 30 June 2024, certain subsidiaries of the Group were entitled to a preferential tax rate of 15% under the status of High New Technology Enterprises.

For Macau, the first Macau Pataca 600,000 (equivalent to approximately HK\$583,000) of assessable profits of the Macau subsidiary are exempted from Macau complementary tax and the remaining assessable profits are subject to the statutory rate of 12% (six months ended 30 June 2024: 12%).

For Vietnam, the Vietnamese subsidiary is subject to a corporate income tax rate of 20% (six months ended 30 June 2024: Nil).

6. DIVIDEND

The Board has resolved not to declare any interim dividend for the Period (six months ended 30 June 2024: Nil).

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

The calculation of basic earnings per share amount for the Period is based on the profit for the Period attributable to ordinary equity holders of the Company of HK\$6,411,000 (six months ended 30 June 2024: HK\$3,815,000) and 869,919,000 (six months ended 30 June 2024: 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 2025 and 30 June 2024.

8. PROPERTY, PLANT AND EQUIPMENT

The changes in the net book value of property, plant and equipment for the six months ended 30 June 2025 are analysed as follows:

	HK\$'000
At 1 January 2025 (Audited)	875,715
Additions	52,779
Acquisition of a subsidiary (Note 11)	21,084
Depreciation	(91,273)
Disposals	(2,263)
At 30 June 2025 (Unaudited)	856,042

8. PROPERTY, PLANT AND EQUIPMENT (continued)

As at 30 June 2025, the Group was in the process of applying for the building ownership certificates in respect of certain self-used properties with net book values of approximately HK\$0.7 million (31 December 2024: approximately HK\$1.0 million) and approximately HK\$18.0 million (31 December 2024: approximately HK\$20.0 million) situated in Nansha and Enping, the PRC, respectively. The Company's directors confirmed that, based on the advice from the Company's legal counsel, as the Group has properly obtained the land use right certificates in respect of the land on which the aforementioned self-used properties are erected, they are therefore in the opinion that there is no legal barrier or otherwise for the Group to obtain the building ownership certificates from the relevant Mainland China authority.

9. ACCOUNTS AND BILLS RECEIVABLES

The Group's trading terms with its customers are generally on credit with terms of up to three months and are non-interest bearing (except for certain well-established customers with strong financial strength, good repayment history and creditworthiness, where the credit terms are extended to six months). The Group seeks to maintain strict control over its outstanding receivable and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's accounts and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its accounts and bills receivables balances.

9. ACCOUNTS AND BILLS RECEIVABLES (continued)

An aged analysis of the Group's accounts and bills receivable as at the end of the reporting period, based on the invoice date and issuance date, respectively, and net of loss allowance, is as follows:

	30 June 2025 HK\$'000 (Unaudited)	31 December 2024 HK\$'000 (Audited)
Within 1 month	355,925	361,744
1 to 2 months	117,894	94,236
2 to 3 months	32,379	37,422
Over 3 months	19,896	25,053
	526,094	518,455

10. ACCOUNTS AND BILLS PAYABLES

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

	30 June 2025 HK\$'000 (Unaudited)	31 December 2024 HK\$'000 (Audited)
Within 3 months	501,084	513,855
3 to 6 months	56,708	88,900
Over 6 months	4,888	5,139
	562,680	607,894

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

11. BUSINESS COMBINATION

On 27 January 2025, the Group entered into a sale and purchase agreement (as supplemented on 27 February 2025) to acquire 100% equity interest in Korea Textile & Dyeing Support Services Joint Stock Company (the “Acquiree”) (the “Acquisition”) from independent third parties (the “Vendors”). The Acquiree is engaged in the manufacture of dyed fabrics. Completion of the Acquisition has taken place in April 2025. Further details of the Acquisition were set out in the announcements of the Company dated 27 January 2025, 27 February 2025 and 30 April 2025, and the circular of the Company dated 26 May 2025.

During the six months ended 30 June 2025, the Acquiree changed its name to Kam Hing (Vietnam) Textile Printing and Dyeing Company Limited.

The total cash consideration for the Acquisition of HK\$83,892,000, comprising approximately US\$4,348,000 (equivalent to approximately HK\$33,913,000) as the purchase price of the shares of the Acquiree and approximately US\$6,408,000 (equivalent to approximately HK\$49,979,000) as the settlement amount of the debts owed by the Acquiree to the Vendors and their related parties, was settled in cash during the Period.

11. BUSINESS COMBINATION (continued)

The fair values of the identifiable assets and liabilities of the Acquiree as at the date of acquisition were as follows:

	(Provisional) HK\$'000 (Unaudited)
Property, plant and equipment	21,084
Right-of-use assets	28,220
Long-term receivables	6
Inventories	558
Accounts receivable	1,874
Prepayments	334
Tax recoverable	243
Cash and cash equivalents	3,042
Accounts payable	(662)
Accrued liabilities and other payables	(802)
Tax payable	(61)
Deferred tax liabilities	(2,160)
Total identifiable net assets at fair value	51,676
Provisional goodwill arising from acquisition	32,216
Satisfied by cash	83,892

11. BUSINESS COMBINATION (continued)

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	HK\$'000
Cash consideration	(83,892)
Cash and bank balances acquired	<u>3,042</u>
Net outflow of cash and cash equivalents included in cash flows from investing activities	(80,850)
Transaction costs of the acquisition included in cash flows from operating activities	<u>(631)</u>
Total net cash outflow	<u>(81,481)</u>

The Group incurred transaction costs of HK\$631,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the interim condensed consolidated statement of profit or loss.

The fair values of the accounts receivable and other receivables as at the date of acquisition amounted to HK\$1,874,000 and HK\$6,000, respectively. The gross contractual amounts of accounts receivable and other receivables were HK\$2,107,000 and HK\$6,000, respectively, of which accounts receivables of HK\$233,000 is expected to be uncollectible.

None of the goodwill recognised is expected to be deductible for income tax purposes.

The Group has engaged an independent appraiser to assist with the identification and determination of fair values to be assigned to the assets and liabilities of the Acquiree as disclosed above. However, the valuation is not finalised and hence the initial accounting for the business combination of the Acquiree was incomplete by the date of this report. Therefore, these amounts recognised in the Group's interim condensed consolidated financial statements for the six months ended 30 June 2025 in relation to the Acquisition were provided on a provisional basis. Upon finalisation of the valuation, any goodwill arising on the Acquisition may change accordingly. The directors of the Company expect that the valuation will be finalised within one year from completion date of the Acquisition.

Deferred tax of HK\$2,160,000 has been provided in relation to these fair value adjustments.

11. BUSINESS COMBINATION (continued)

Since the Acquisition, the Acquiree contributed HK\$3,276,000 to the Group's revenue and a loss of HK\$1,789,000 to the consolidated profit for the six months ended 30 June 2025.

Had the combination been taken place at the beginning of the Period, the revenue of the Group and the profit of the Group for the Period would have been HK\$1,847,663,000 and HK\$5,629,000, respectively.

12. COMMITMENTS

The Group had the following commitments as at the end of the reporting period:

Capital commitments

	30 June 2025 HK\$'000 (Unaudited)	31 December 2024 HK\$'000 (Audited)
Contracted but not provided for:		
Purchases of machinery	15,074	4,173
Construction in progress	21,952	8,854
Construction of new manufacturing facilities	176,207	176,207
Construction of properties under development	8,159	8,159
	221,392	197,393

The Group had outstanding commitments amounting to HK\$139,396,000 (31 December 2024: HK\$138,739,000) as at the end of the reporting period in respect of irrevocable letters of credit.

13. RELATED PARTY TRANSACTIONS

- (a) The Group is still in the process of applying for the land use planning for construction work permit, construction project and planning permit, and commencement of construction work permit in respect of a six-storey factory building, with a net book value of Nil (31 December 2024: Nil) as at 30 June 2025.

Each of Mr. Tai Chin Chun and Mr. Tai Chin Wen, directors of the Company, together with their respective spouses, who are deemed as the shareholders of the Company under the Securities and Futures Ordinance, have given joint and several indemnities in favour of the Group in respect of the aforementioned building.

- (b) Outstanding balances with a related party:

As at 30 June 2025, included in the Group's accounts receivable is the amounts due from the associates of the Group of HK\$28,641,000 (31 December 2024: HK\$31,847,000), which was repayable on credit terms similar to those offered to the major customers of the Group.

As at 30 June 2025, included in the Group's accounts payable is an amount due to an associate of the Group of HK\$283,000 (31 December 2024: amounts due to associates of the Group of HK\$11,949,000), which is repayable within two months, which represents credit terms similar to those offered by the associates to its major customers.

- (c) Compensation of key management personnel of the Group:

	Six months ended 30 June 2025 HK\$'000 (Unaudited)	Six months ended 30 June 2024 HK\$'000 (Unaudited)
Short-term employee benefits	10,531	10,588
Post-employment benefits	201	210
	10,732	10,798

14. TRANSFERS OF FINANCIAL ASSETS

Transferred financial assets that are not derecognised in their entirety

At 30 June 2025, the Group endorsed certain bank bills receivable in the PRC (the “Endorsed Bills”) with a carrying amount of RMB1,601,000 (equivalent to HK\$1,741,000) (31 December 2024: RMB1,246,000 (equivalent to HK\$1,355,000)) to certain suppliers in order to settle the accounts payable or other payables due to or make prepayments to such suppliers (the “Endorsement”). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated accounts payable or other payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of accounts payable or other payables settled and prepayments to suppliers made by the Endorsed Bills during the Period was RMB1,601,000 (equivalent to HK\$1,741,000) (31 December 2024: RMB1,246,000 (equivalent to HK\$1,355,000)) as at 30 June 2025.

Transferred financial assets that are derecognised in their entirety

At 30 June 2025, the Group endorsed certain bank bills receivable in the PRC (the “Derecognised Bills”) which were originally endorsed or issued by its customers, to certain of its suppliers for settling the accounts payable or other payables due to such suppliers in aggregate of RMB27,618,000 (equivalent to HK\$30,019,000) (31 December 2024: RMB41,218,000 (equivalent to HK\$44,803,000)). The Derecognised Bills have a remaining maturity from one to six months at the end of the Period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills may exercise the right of recourse against any, several or all of the persons liable for the Derecognised Bills, including the Group, in disregard of the order of precedence (the “Continuing Involvement”). In the opinion of the directors of the Company, the risk of the Group being claimed by the holders of the Derecognised Bills is remote in the absence of a default of the accepted banks. The Group has transferred substantially all risks and rewards related to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated accounts payable or other payables. The maximum exposure to loss from the Group’s Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors of the Company, the fair values of the Group’s Continuing Involvement in the Derecognised Bills are not significant.

14. TRANSFERS OF FINANCIAL ASSETS (continued)

Transferred financial assets that are derecognised in their entirety (continued)

During the periods ended 30 June 2025 and 30 June 2024, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the periods or cumulatively. The Endorsement has been made evenly throughout the periods ended 30 June 2025 and 30 June 2024.