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KINGMAKER FOOTWEAR HOLDINGS LIMITED

信星鞋業集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 01170)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

FINANCIAL HIGHLIGHTS

	For the six months ended		Change
	2021	2020	
	HK\$'000	HK\$'000	
Revenue	379,373	391,565	-3.1%
Gross profit/(loss)	(12,685)	21,056	N/A
Gross profit/(loss) margin	-3.3%	5.4%	-8.7 points
Profit/(loss) for the period attributable to equity holders of the Company	(15,462)	65,564	N/A
	(HK cents)	(HK cents)	
Basic earnings/(loss) per share	(2.30)	9.70	N/A
Proposed interim and special interim dividends			
Interim dividend per share	-	1.5	
Special interim dividend per share	<u>2.0</u>	<u>0.7</u>	
Total dividends per share for the period	<u><u>2.0</u></u>	<u><u>2.2</u></u>	-9.1%

- Cash and cash equivalents of approximately HK\$364 million

* For identification purposes only

UNAUDITED INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of Kingmaker Footwear Holdings Limited (the “Company”) is pleased to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2021, together with the comparative figures for the corresponding period in 2020 and the relevant explanatory notes as set out below. The condensed consolidated results are unaudited, but have been reviewed by the audit committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2021

		For the six months ended	
		30 September	
		2021	2020
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Revenue	2	379,373	391,565
Cost of sales		<u>(392,058)</u>	<u>(370,509)</u>
Gross profit/(loss)		(12,685)	21,056
Other income and gains, net		11,516	125,587
Distribution and selling expenses		(7,991)	(8,533)
Administrative expenses		(34,486)	(56,430)
Finance costs	3	(11)	(27)
Share of profits of associates		<u>18,280</u>	<u>6,460</u>
PROFIT/(LOSS) BEFORE TAX	4	(25,377)	88,113
Income tax credit/(expense)	5	<u>7,939</u>	<u>(29,975)</u>
PROFIT/(LOSS) FOR THE PERIOD		<u>(17,438)</u>	<u>58,138</u>
ATTRIBUTABLE TO:			
Equity holders of the Company		(15,462)	65,564
Non-controlling interests		<u>(1,976)</u>	<u>(7,426)</u>
		<u>(17,438)</u>	<u>58,138</u>

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

For the six months ended 30 September 2021

		For the six months ended	
		30 September	
		2021	2020
	<i>Notes</i>	(Unaudited)	(Unaudited)
EARNINGS/(LOSS) PER SHARE			
ATTRIBUTABLE TO EQUITY HOLDERS			
OF THE COMPANY:	6		
Basic		<u>(HK2.30 cents)</u>	<u>HK9.70 cents</u>
Diluted		<u>(HK2.30 cents)</u>	<u>HK9.70 cents</u>

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2021

	For the six months ended 30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
PROFIT/(LOSS) FOR THE PERIOD	<u>(17,438)</u>	<u>58,138</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	<u>9,557</u>	<u>24,682</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	<u>9,557</u>	<u>24,682</u>
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD	<u><u>(7,881)</u></u>	<u><u>82,820</u></u>
ATTRIBUTABLE TO:		
Equity holders of the Company	<u>(5,905)</u>	90,246
Non-controlling interests	<u>(1,976)</u>	<u>(7,426)</u>
	<u><u>(7,881)</u></u>	<u><u>82,820</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

	As at	
	30 September	31 March
	2021	2021
	(Unaudited)	(Audited)
Notes	HK\$'000	HK\$'000
NON-CURRENT ASSETS		
Property, plant and equipment	175,459	185,271
Right-of-use assets	69,055	70,581
Investment properties	554,803	547,653
Investments in associates	49,737	31,457
Investments in club memberships	1,865	1,885
	<u>850,919</u>	<u>836,847</u>
CURRENT ASSETS		
Inventories	159,878	160,690
Accounts receivable	8 103,964	191,054
Prepayments, deposits and other receivables	7,953	7,554
Due from an associate	64,705	69,073
Tax recoverable	322	322
Cash and cash equivalents	364,457	377,865
	<u>701,279</u>	<u>806,558</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 September 2021

		As at 30 September 2021 (Unaudited) <i>HK\$'000</i>	31 March 2021 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
CURRENT LIABILITIES			
Accounts payable	9	80,427	130,805
Accrued liabilities, other payables and contract liabilities		68,070	76,395
Lease liabilities		474	930
Tax payable		63,805	72,140
Total current liabilities		<u>212,776</u>	<u>280,270</u>
NET CURRENT ASSETS		<u>488,503</u>	<u>526,288</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>1,339,422</u>	<u>1,363,135</u>
NON-CURRENT LIABILITIES			
Deposits received		6,786	5,246
Deferred tax liabilities		102,622	102,637
Total non-current liabilities		<u>109,408</u>	<u>107,883</u>
Net assets		<u><u>1,230,014</u></u>	<u><u>1,255,252</u></u>
EQUITY			
Equity attributable to equity holders of the Company			
Issued share capital		68,154	68,154
Reserves		1,153,139	1,176,401
		<u>1,221,293</u>	<u>1,244,555</u>
Non-controlling interests		<u>8,721</u>	<u>10,697</u>
Total equity		<u><u>1,230,014</u></u>	<u><u>1,255,252</u></u>

Notes:

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

These unaudited interim condensed consolidated financial information for the six months ended 30 September 2021 has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and Hong Kong Accounting Standard (“HKAS”) 34 “*Interim Financial Reporting*” issued by the Hong Kong Institute of Certified Public Accountants. These unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 March 2021.

The accounting policies adopted in the preparation of these interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s consolidated financial statements for the year ended 31 March 2021, except for adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) effective as of 1 April 2021.

Amendments to HKFRS 9, *Interest Rate Benchmark Reform – phase 2*
HKAS 39, HKFRS 7, HKFRS 4 and
HKFRS 16

Amendment to HKFRS 16 *Covid-19-Related Rent Concessions*
beyond 30 June 2021 (early adopted)

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

2. OPERATING SEGMENT INFORMATION

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

- (a) manufacturing and sale of footwear products; and
- (b) property investment.

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

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

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

The following tables present revenue, results and certain assets, liabilities and expenditure information for the Group's operating segments for the six months ended 30 September 2021 and 2020.

	Manufacturing and sale of footwear products		Property investment		Consolidated	
	For the six months ended		For the six months ended		For the six months ended	
	30 September		30 September		30 September	
	2021	2020	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue						
Sales to external customers	<u>379,373</u>	<u>391,565</u>	<u>-</u>	<u>-</u>	<u>379,373</u>	<u>391,565</u>
Rental income	<u>-</u>	<u>-</u>	<u>10,759</u>	<u>6,976</u>	<u>10,759</u>	<u>6,976</u>

2. OPERATING SEGMENT INFORMATION (Continued)

	Manufacturing and sale of footwear products		Property investment		Consolidated	
	For the six months ended 30 September		For the six months ended 30 September		For the six months ended 30 September	
	2021	2020	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment results	<u>(29,286)</u>	<u>(31,383)</u>	<u>8,466</u>	<u>119,884</u>	<u>(20,820)</u>	<u>88,501</u>
Unallocated income and gains/(loss), net					(122)	852
Interest income					965	3,028
Unallocated expenses					(5,400)	(4,267)
Finance costs						
(Other than interest on lease liabilities)					—	(1)
Profit/(loss) before tax					(25,377)	88,113
Income tax credit/(expense)					7,939	(29,975)
Profit/(loss) for the period					<u>(17,438)</u>	<u>58,138</u>

	Manufacturing and sale of footwear products		Property investment		Consolidated	
	30 September	31 March	30 September	31 March	30 September	31 March
	2021	2021	2021	2021	2021	2021
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets and liabilities						
Segment assets	629,715	715,209	554,803	547,653	1,184,518	1,262,862
Unallocated assets					<u>367,680</u>	<u>380,543</u>
Total assets					<u>1,552,198</u>	<u>1,643,405</u>
Segment liabilities	139,899	100,084	107,202	107,653	247,101	207,737
Unallocated liabilities					<u>75,083</u>	<u>180,416</u>
Total liabilities					<u>322,184</u>	<u>388,153</u>

3. FINANCE COSTS

	For the six months ended	
	30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans	–	1
Interest on lease liabilities	11	26
	<u>11</u>	<u>27</u>

4. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended	
	30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of inventories sold	241,016	225,833
Depreciation of property, plant and equipment	14,762	14,727
Depreciation of right-of-use assets	1,785	1,647
Amortisation of club memberships	20	19
Impairment of items of property, plant and equipment	1,554	7,209
Impairment allowance/(write-back) of accounts receivable	(1,542)	472
Provision for employees' compensation	–	7,680
Fair value loss/(gains) on revaluation of investment properties	1,018	(114,112)
Bank interest income	(925)	(2,983)
Interest income from accounts receivable	(40)	(45)

5. INCOME TAX

	For the six months ended	
	30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current		
– Elsewhere	(7,924)	(5,850)
Deferred	(15)	35,825
Total tax expense/(credit)	<u>(7,939)</u>	<u>29,975</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

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

The calculation of the basic profit per share (six months ended 30 September 2021: basic loss per share) amount is based on the loss for the period attributable to equity holders of the Company of HK\$15,462,000 (six months ended 30 September 2020: profit of HK\$65,564,000), and the weighted average number of ordinary shares of 671,546,000 (six months ended 30 September 2020: 675,883,000) in issue during the period, as adjusted to reflect the number of shares of 9,238,000 (six months ended 30 September 2020: 8,546,000) held under the share award scheme of the Company.

No adjustment has been made to the basic loss per share amount presented for the six months ended 30 September 2021 in respect of the potentially dilutive ordinary shares in issue during the period as the impact had an anti-dilutive effect on the basic loss per share amount presented.

No adjustment had been made to the basic earnings per share amount presented for the six months ended 30 September 2020 in respect of a dilution as the impact of the share options outstanding during the period had no dilutive effect on the basic earnings per share amount presented.

7. DIVIDENDS

	For the six months ended	
	30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Dividends paid during the period		
Special final in respect of the financial year ended 31 March 2021		
– HK1.3 cents (2020: HK2.0 cents) per ordinary share	8,740	13,518
Final in respect of the financial year ended 31 March 2021		
– HK1.5 cents (2020: Nil) per ordinary share	<u>10,084</u>	<u>–</u>
	<u>18,824</u>	<u>13,518</u>
Proposed interim and special interim dividends		
Interim – Nil (2020: HK1.5) per ordinary share	–	10,266
Special interim – HK2.0 cent (2020: HK0.7 cent) per ordinary share	<u>13,631</u>	<u>4,791</u>
	<u>13,631</u>	<u>15,057</u>

The special interim dividend was declared after the period ended 30 September 2021, and therefore have not been included as a liability in the condensed consolidated statement of financial position. The special interim dividend will be paid to the shareholders whose names appear in the register of members on 10 January 2022.

8. ACCOUNTS RECEIVABLE

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

8. ACCOUNTS RECEIVABLE (Continued)

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

	As at	
	30 September	31 March
	2021	2021
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Within 90 days	99,472	177,025
Between 91 and 180 days	4,327	13,726
Between 181 and 365 days	165	303
	<u>103,964</u>	<u>191,054</u>

9. ACCOUNTS PAYABLE

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

	As at	
	30 September	31 March
	2021	2021
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Within 90 days	29,195	91,189
Between 91 and 180 days	39,648	27,940
Between 181 and 365 days	–	2,024
Over 365 days	11,584	9,652
	<u>80,427</u>	<u>130,805</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

The Group commenced the six-month period ended 30 September 2021 (the “Period”) with a satisfactory April-to-June quarter, during which it delivered double-digit revenue growth. In contrast, the Group’s operations during the subsequent months were seriously interrupted by an outbreak of COVID-19 variants across Southeast Asia in the summer of 2021.

In particular, the factory located at Thuan An in Binh Duong Province, southern Vietnam, was compelled to pause production from mid-July onwards as COVID-19 cases saw a resurgence in the local area. The production halt in southern Vietnam has caused delays in product shipments since July 2021 affecting the Group’s revenue and operating results for the Period.

Revenue

With the help of strong first-quarter growth, the Period’s revenue attributable to footwear manufacturing and sales remained relatively stable at approximately HK\$379 million (2020: approximately HK\$392 million), a 3.1% period-to-period decrease, despite the production halt in southern Vietnam affecting order fulfillment in the July-to-September quarter.

The Period’s business volume (pairs) was down 3.2%, while there was a 0.8% improvement in average selling price (“ASP”).

Gross Profit/Loss

The Group ended the April-to-June quarter with a satisfactory performance, but the production disruption in the subsequent months reversed the growth trend. A gross loss of approximately HK\$13 million was incurred for the Period (2020: gross profit of approximately HK\$21 million).

The gross loss incurred was mainly attributable to:

- (i) the production halt in southern Vietnam since July 2021, resulting in a high labor-to-revenue ratio as the Group was subject to mandatory payment of wages (calculated at the minimum wage level) to the employees of the affected factory during the production halt;
- (ii) additional expenses incurred in southern Vietnam and Cambodia for employee COVID-19 testing, as well as regular disinfection of the factory premises;
- (iii) higher upstream supply-chain costs owing to raw material price hikes driven mainly by rising oil prices; and
- (iv) increased logistics costs for the delivery of upstream materials to the Group's factories as a result of supply-chain disruptions.

Net Profit/Loss

The Group posted a net loss attributable to equity holders of the Company of approximately HK\$15 million for the Period (2020: net profit of approximately HK\$66 million). In addition to the gross loss incurred, the net loss also took into account:

- (i) the fair value losses of approximately HK\$1 million for the Period on revaluation of the Group's investment properties in Hong Kong and the People's Republic of China (the "PRC"), against the one-off fair value gain of approximately HK\$143 million arising from the revaluation of the property at the Zhuhai plant recorded during the six months ended 30 September 2020;

Which was alleviated by:

- (i) an increased share of profits of associates to approximately HK\$18 million (2020: approximately HK\$6 million) from the Group's associated company operating in central Vietnam.

Key Financial Ratios

The Group maintained stable financial ratios during the Period:

- Debtors' turnover increased from 65 days for the six months ended 30 September 2020 to 70 days for the Period;
- Creditors' turnover increased from 76 days to 79 days;
- Stock turnover was 119 days (2020: 120 days);
- A healthy liquidity position with net cash in hand of approximately HK\$364 million as at 30 September 2021 (31 March 2021: approximately HK\$378 million); and
- Current and quick ratios were 3.3 and 2.5 respectively (2020: 3.0 and 2.5 respectively).

Interim and Special Interim Dividends

With dedicated efforts to prudently manage working capital, the Company was able to maintain a stable financial position. In view of this and to share results with shareholders, the Board has resolved to declare a special interim dividend of HK2.0 cents (2020: HK0.7 cent) per ordinary share. No interim dividend in respect of the Period was recommended by the Board (2020: HK1.5 cents).

OPERATIONAL PERFORMANCE

Macro Environment

Impact of the COVID-19 Pandemic

Southeast Asia, where the Group's multiple manufacturing facilities are dispersed, has fared comparatively well in 2020, the first year of the COVID-19 battle. However, since the second quarter of 2021, there have been resurgences of COVID-19 variants in various parts of the region, suppressing economic activity and disrupting global supply chains.

In Vietnam, new COVID-19 outbreaks have forced a number of its provinces and industrial hubs to impose strict lockdown measures, mandating manufacturers to temporarily shut down or reduce operations. The country has gradually resumed production activities since September 2021 amid declining cases and higher vaccination rates. The Group's factory in southern Vietnam paused production in mid-July and resumed operations in phases starting from mid-October 2021.

Cambodia also imposed lockdowns this year as COVID-19 cases saw a resurgence in the country, but its high vaccination rates have enabled it to gradually phase out the restrictions. The Group's plant in Cambodia maintained normal operations during the Period.

The impact of COVID-19 on supply chains has had a knock-on effect worldwide. Lockdowns in many countries have caused a global slowdown or halt in the flow of raw materials and finished goods. Exporters are faced with serious shipping delays and escalating freight costs. Port congestion and other logistics bottlenecks are not expected to ease until 2022.

While the global economic recovery is continuing, considerable uncertainty will persist. The Group will stay alert to the challenges ahead, in particular those related to production continuity and cost-side factors.

Manufacturing Business

The Group currently operates two core manufacturing bases in southern Vietnam and Cambodia, which are both equipped with research and development ("R&D") facilities. A supplementary R&D center is in operation in Zhuhai, the PRC. In addition, the Group holds a 40% interest in a joint-venture factory in central Vietnam.

As at 30 September 2021, the Group had a combined production scale of 27 processing lines, mostly under the concept-line set-up. They contributed an annual capacity of around 6.5 million pairs of shoes, and were 78.6% utilized in the Period (2020: 83.8%).

In southern Vietnam, there were 13 concept lines and 4 traditional lines in operation, with two obsolete lines phased out during the Period owing to the product mix upgrade. Coupled with the 10 concept lines the Group had in Cambodia, the multi-location production platform enables the Group to provide capacity with flexibility, in order to cater to customers' sourcing plans in terms of country of manufacture.

The geographical distribution of markets continued to be demand-driven, while at the same time, the Group supports its customers' efforts to develop markets with good prospects. The contribution from European markets dropped to 27.1% (2020: 33.6%), whereas revenue from the US increased to 41.4% (2020: 12.9%). Shipments to other markets, including Asia and other areas, accounted for 31.5% (2020: 53.5%).

The rugged-shoe category contribution rose to 65.4% (2020: 46.3%) of the Group's revenue during the Period, as this product line continues to gain popularity, especially among the younger generations in the market. Premium casual footwear accounted for 11.4% (2020: 34.7%) of revenue. Contribution by babies' and children's footwear increased to 23.2% (2020: 13.8%), while the athleisure and athletic product category did not make a revenue contribution (2020: 5.2%) during the Period.

Major customers for the Period included Cat, Chaco, Clarks, Dr. Martens, Merrell and Wolverine; these in aggregate contributed 96.2% (2020: 93.3%) of total revenue. The Group has continued to actively develop business with other brands with sustainable growth prospects.

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

Southern Vietnam

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

This location remained a core manufacturing site for the Group. However, bursts of COVID-19 cases in the surrounding area have compelled the factory to halt production since mid-July. As a result, the site's contribution to total volume output dropped to 55.0% (2020: 74.3%) during the Period.

As confirmed COVID-19 cases were first identified on or about 10 July 2021, factory operations were temporarily suspended from 12 July 2021 in accordance with the response measures promulgated by the local authorities. Out of the consideration for employee safety and health, the temporary production halt has been extended until early October 2021 when the pandemic in the local area was gradually brought under control.

The factory resumed partial production on 11 October 2021 having satisfied all the necessary requirements for reopening. As at the date of this announcement, about 80% of the employees have returned to work. All of them have received at least one dose of COVID-19 vaccine and provided proof of negative test results. Regular disinfection of the premises and diagnostic tests for the employees will continue.

As an interim response, the Group has geared up production capacity at the Cambodian site to help fulfill some of the orders placed with the affected factory. The local team has also worked with customers to reschedule order fulfillments and to arrange for the shipment of inventory.

The Group is grateful for the support of the local authorities throughout the resumption process, as well as the understanding and continued support of the customers.

Cambodia

With the support of the local government authorities, the Group has started to gain a foothold in this major footwear manufacturing country for the world.

During the Period, the Group's site in Cambodia contributed 45.0% (2020: 25.7%) of output in pairs. The increase was both organic and partly attributable to the site's uptake of orders redirected from southern Vietnam. The Cambodian center has maintained normal production throughout the Period, albeit to minor interruptions caused by on-site vaccinations for employees.

The Cambodian center has gained further momentum and is set to grow into a more important manufacturing location for the Group as it continues to build efficiency and expertise with years of talent pooling. Registering satisfactory order growth, the site has seen an addition of two sewing lines during the Period as planned to cater to promising sourcing plans from customers.

The manufacturing operations in Cambodia continue to mature, enabling this center to now fill orders for more sophisticated models. With the support of customers, the Group will prudently plan further capacity expansion for this hub.

Mainland China

All of the Group's manufacturing activity in the country has been discontinued and relocated to other Asian centers.

At the request of a client, an R&D center was maintained in Zhuhai staffed by a lean workforce. The Group will continue to monitor its utilization to make adjustments to the R&D offerings at this site as deemed appropriate.

The unutilized part of the Zhuhai plant that was subsequently leased out continued to generate a stable stream of recurrent rental income for the Group. The Board looks forward to capturing the future capital appreciation opportunity of this asset as the development of the Greater Bay Area progresses further.

Investment in associates

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

With an addition of three production lines, the associated company operated a total of 27 lines as at the Period-end date. It is mainly engaged in production for world-leading footwear brands Crocs and Columbia.

The associated company demonstrated strong revenue growth. During the Period, its revenue increased by approximately 114.6% to approximately HK\$457 million (2020: approximately HK\$213 million).

With an enlarged scale and enhanced workforce efficiency, the associated company contributed to the Group a share of profits of associates of approximately HK\$18 million (2020: share of profits of approximately HK\$6 million).

Given the strong background and expertise of Evervan, the Board believes that as the business scales up further to achieve better cost-effectiveness, and with the skill sets of its workers maturing and processes being further refined, the efficiency of this operation will improve going forward. This operation will also enjoy a boost in competitiveness in prospect of more automation in place.

With previous financial assistance extended to the associated company, it has achieved a capacity that can meet current and mid-term demand. It has no immediate capital expenditure requirements and therefore no further financial assistance has been provided by the Group during the Period.

Asset Enhancement

Depending on the Group's business needs and capacity planning, some self-owned factories and office properties may not be fully utilized at times. A long-term asset enhancement program is in place for the Board to consider the properties' sales or leasing options and potential in order to create returns on these assets.

This asset enhancement program will help the Group make good use of idle properties, realize the investment value of its assets, and generate additional stable income to enhance working capital.

During the Period, the portfolio of assets classified as investment properties was all leased out, yielding gross rental income of approximately HK\$10.8 million (2020: approximately HK\$7.0 million). The Board considers that the portfolio is currently generating a steady stream of recurrent income. It will regularly review this asset base and examine options available with a view to creating greater long-term value for shareholders.

Talent Development and Leadership Succession

The Group retains and nurtures a team of people with diverse talents. They are committed to making customers successful and to growing a world-class company that can share in that success.

The highly capable management team has shown a shared commitment to leading the Group and its people through unprecedented difficulties. The crisis management capabilities the team exhibited during the COVID-19 outbreaks in Southeast Asia have provided the foundation for the local operations to cope with disruptive events, and for long-term resilience.

Management capability-building is also an important part of the Group's employee learning process in Vietnam and Cambodia. Through the localization process, local staff members are trained to take up managerial functions, which is an important step in enhancing the long-term development of these manufacturing locations.

FUTURE PLANS AND PROSPECTS

As discussed in the Group's annual report for fiscal year 2020/21, a sales rebound was recorded in the first quarter of the current year ending 31 March 2022. Customers have provided promising forecasts for the year as major retail markets are recovering.

However, the growth track was interrupted by the production halt at the Group's factory in southern Vietnam in the wake of new bursts of COVID-19 cases in the surrounding area. The factory has resumed partial operation since 11 October 2021 in a steady and orderly manner. It is now fully prepared to cater to upcoming orders from customers.

From a more macro perspective, even as major economies are expected to gradually recover from the effects of COVID-19, the supply side of the equation will likely face a more profound and lasting impact as the pandemic continues to disrupt global logistics. This is one of the many risk factors that the management will stay alert to, in addition to the inflationary trend of other supply-chain costs.

As always, the Group will persist with a conservative cashflow management policy, and continue to implement strict cost controls, in order to sustain financial strength amid the macroeconomic and operating uncertainties.

The Group will continue to ready itself for business recovery, while carefully navigates its course through the prevailing uncertainties and challenges.

Appreciation

I would like to take this opportunity to sincerely thank my fellow directors, senior management, and all staff members for their faithful and dedicated service in what has turned out to be one of the most demanding periods. The support of our business partners, clients, and shareholders is also greatly appreciated. Together, we look forward to steadily charting our path forward.

LIQUIDITY AND FINANCIAL RESOURCES

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

Prudent financial management and selective investment criteria have enabled the Group to maintain a strong financial position. As at 30 September 2021, the Group's cash and cash equivalents were approximately HK\$364 million (as at 31 March 2021: approximately HK\$378 million).

The Group is substantially debt-free. As at 30 September 2021, the Group had banking facilities amounted to an aggregate sum of approximately HK\$40 million (as at 31 March 2021: approximately HK\$40 million) with various banks. Out of the trade and overdraft banking facilities of approximately HK\$40 million (as at 31 March 2021: approximately HK\$40 million) in Hong Kong being granted to the Group, the Group had not utilized the banking facilities and did not have any interest-bearing bank borrowings as at 30 September 2021 (as at 31 March 2021: nil).

As at 30 September 2021, the current ratio was approximately 3.3 (as at 31 March 2021: approximately 2.9) based on current assets of approximately HK\$702 million and current liabilities of approximately HK\$213 million and the quick ratio was approximately 2.5 (as at 31 March 2021: approximately 2.3).

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

FOREIGN EXCHANGE RISK MANAGEMENT

Most of the Group's assets and liabilities, revenue and expenditure are denominated in Hong Kong dollars, the RMB, the VND and the US dollars ("US\$"). It is the Group's policy to adopt a conservative approach on foreign exchange exposure management.

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

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

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

CAPITAL STRUCTURE

Shareholders' equity decreased to approximately HK\$1,221 million as at 30 September 2021 (as at 31 March 2021: approximately HK\$1,245 million). As at 30 September 2021, the Group did not have any interest-bearing bank borrowings (as at 31 March 2021: nil), resulting nil% (as at 31 March 2021: nil%) of the shareholders equity.

INTERIM AND SPECIAL INTERIM DIVIDENDS

On 29 November 2021, the Board has resolved to declare the payment of a special interim dividend of HK2.0 cent per ordinary share in respect of the six months ended 30 September 2021 to shareholders registered on the register of members on 10 January 2022, resulting in an appropriation of approximately HK\$13.6 million. No interim dividend in respect of the Period was recommended by the Board. The special interim dividend will be payable on or about 25 January 2022.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 6 January 2022 to Monday, 10 January 2022, both days inclusive, during which period no transfer of shares shall be effected. In order to qualify for the special interim dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 5 January 2022.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

EMPLOYMENT AND REMUNERATION POLICIES

The Group, including its subsidiaries in Hong Kong, Taiwan, the PRC, Vietnam and Cambodia had a total number of employees of approximately 7,800 as at 30 September 2021 (30 September 2020: approximately 6,800). The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the respective companies and individuals concerned. Awarded shares may also be granted in accordance to the terms of the Group's approved share award scheme.

The trustee of the Company's share award scheme adopted on 26 June 2019 (the "Share Award Scheme") did not make any purchase of shares during the Period. For the six months ended 30 September 2021, 1,440,000 shares have been awarded under the Share Award Scheme for the Period. As at 30 September 2021, the trustee of the Share Award Scheme held a total of 9,238,000 shares of the Company and no shares have been awarded to any selected participants pursuant to the Share Award Scheme.

As the share option scheme has lapsed on 28 August 2021, no further share options can be granted thereunder. However, the outstanding share option granted under the share option scheme shall continue to be valid and exercisable up to the end of the relevant exercise periods.

CORPORATE GOVERNANCE

None of the Directors is aware of any information which would reasonably indicate that the Company is not, or was not, during the six months ended 30 September 2021, in compliance with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange.

AUDIT COMMITTEE

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

The Committee has reviewed with the management, the accounting principles and practices adopted by the Group and discussed the Group's auditing, internal control and financial reporting matters during the Period. The Group's unaudited interim condensed consolidated financial information for the six months ended 30 September 2021 has been reviewed by the Committee, which was of the opinion that the preparation of such financial information complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors’ securities transactions. Having made specific enquiry of all Directors, the Directors have confirmed their compliance with the required standard set out in the Model Code during the six months ended 30 September 2021.

PUBLICATION OF INTERIM REPORT

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

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

Hong Kong, 29 November 2021

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