

2022 INTERIM REPORT

KAM HING



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

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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
Ms. Wong Siu Yuk
Mr. Lei Heong Man (*Chief Financial Officer*)

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

Nomination Committee

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

Company Secretary

Mr. Chang Man Kwong

Auditors

Ernst & Young
Certified Public Accountants

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 of Directors (the “Board”) 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 2022 (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

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

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

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

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



Business Overview

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

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

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

Business Overview (continued)

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

Prospects

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

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



Prospects (continued)

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

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

Financial Review

Revenue

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

Financial Review (continued)

Gross Profit and Gross Profit Margin

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

Other Income and Gains, Net

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

Selling and Distribution Expenses

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

Administrative Expenses

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

Financial Review (continued)

Other Operating Expenses, Net

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

Finance costs

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

Net Profit and Net Profit Margin

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

Financial Review (continued)

Liquidity and Financial Resources

As at 30 June 2022, the Group's net current assets were approximately HK\$1,840.1 million (31 December 2021: approximately HK\$1,790.6 million). The Group regularly reviews its financial position and maintains a healthy financial position by financing its operations from internally generated resources and long-term bank loans. As at 30 June 2022, the Group had cash and cash equivalents of approximately HK\$878.2 million (31 December 2021: approximately HK\$863.4 million). Current ratio as at 30 June 2022 was approximately 2.6 times (31 December 2021: approximately 2.1 times).

As at 30 June 2022, total bank borrowings of the Group were approximately HK\$1,775.9 million (31 December 2021: approximately HK\$1,815.0 million). The Group's net debt gearing ratio (i.e. net debts divided by the sum of equity and net debts) as at 30 June 2022 was at approximately 42.8% (31 December 2021: approximately 48.8%). Net debts comprise all interest-bearing bank borrowings, accounts and bills payables, accrued liabilities and other payables, an amount due to an associate, bank advance for discounted bills and lease liabilities less cash and cash equivalents. Equity comprises owners' equity as stated in the consolidated financial statements.

Financing

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

Interim Dividend

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

Financial Review (continued)

Foreign Exchange Risk and Interest Rate Risk

Approximately 80.4% (six months ended 30 June 2021: approximately 76.6%) of the Group's sales was denominated in U.S. dollars. The remaining sales were denominated in Hong Kong dollars and Renminbi. The majority of the Group's costs of sales were denominated in U.S. dollars, Hong Kong dollars and Renminbi. The Group is therefore exposed to foreign exchange risks arising from currency exposures, primarily in respect to the Renminbi. The exchange rates of other currencies were relatively stable throughout the Period and immaterial on our cost structure. The management closely monitors the foreign exchange movements and determines the appropriate hedging activities when necessary. The Group's borrowings were mainly maintained at a floating rate basis. The management will pay attention to the interest rate movement and employ necessary hedging instruments in a prudent and professional manner.

Charge of Group's Assets

As at 30 June 2022, none of the Group's land and buildings were pledged (31 December 2021: Nil).

Capital Expenditure

For the Period, the Group invested approximately HK\$40.8 million (six months ended 30 June 2021: approximately HK\$51.2 million) in capital expenditure of which approximately 92.2% (six months ended 30 June 2021: approximately 78.1%) was used for the purchase of plant and machinery, approximately 5.5% (six months ended 30 June 2021: approximately 17.3%) was used for the construction of factory premises, and the remaining was used for the purchase of other equipments.

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

Financial Review (continued)

Contingent Liabilities

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

Significant Investment

As at 30 June 2022, the Group did not hold any significant investment with a value of 5% or more of the Group's total assets.

Material Acquisition and Disposal

During the Period, there was no material acquisition or disposal of subsidiaries, associates and joint ventures by the Group.

Treasury Policy

The Group adopted conservative treasury policies in cash and financial management, and attached high importance to the risk control and transactions related to the Group's principal business. The Group's treasury policies are designed to mitigate the impact of fluctuations in interest rates and exchange rates on the Group's overall financial position and to minimise the Group's financial risks. The Group's liquidity and financing requirements are reviewed regularly.

Equity Fund Raising Exercise

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

Financial Review (continued)

Staff Policy

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

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

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

OTHER INFORMATION

Disclosures Pursuant to Rule 13.21 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”)

Pursuant to the facility agreement dated 20 December 2021 and entered into among the Company and two other subsidiaries of the Company as guarantors, a wholly-owned subsidiary of the Company as the borrower and a syndicate of banks as lenders, a term loan facility in an aggregate sum of HK\$1,300.0 million for a term of three and a half years was made available to the subsidiary of the Company repayable in four equal instalments on the dates falling 24, 30, 36 and 42 months after the date of the facility agreement. An event of default would arise if, either of or taken together, Mr. Tai Chin Chun and Mr. Tai Chin Wen either: (i) do not or cease to own, directly or indirectly, at least 40% of the beneficial interest in the Company, carrying at least 40% of the voting right, free from any security interest, (ii) are not or cease to be the single largest shareholder of the Company, (iii) do not or cease to have management control of the Group, or (iv) do not or cease to appoint or nominate the majority of the Board or is not the chairman of the Company, the commitments under the loan facility may be cancelled and all amounts outstanding under the loan facility may become immediately due and payable.

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

Pursuant to the disclosure requirement of Rule 13.51B(1) of the Listing Rules, the changes in information of directors of the Company are set out below:

Mr. Tai Chin Chun, an executive director, has ceased to be the Honorary Consul of the Republic of Mauritius in Hong Kong, PRC, with effect from 1 July 2022.

Directors' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2022, the interests and short positions of the directors or the chief executive of the Company in the share capital 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 10 of the Listing Rules, were as follows:

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

| Name of director | Notes | Capacity and nature of interest | | | | Approximate percentage of the Company's issued share capital (%) |
|-------------------|-------|---------------------------------|-----------------------------|---|--------------------------|--|
| | | Beneficial owner (shares) | Interest of spouse (shares) | Interest in controlled corporation (shares) | Total interests (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 of the Company. 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.

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

Notes: (continued)

2. 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. 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.
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 2022, none of the directors nor 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. Eligible participants of the Scheme include the directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, any consultant, advisor, manager or officer who provides research, development, other technological support or services to the Group, the Company's shareholders, and any non-controlling shareholder of the Company's subsidiaries. The Scheme became effective on 11 June 2014 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

Share Option Scheme (continued)

The maximum number of shares which may be allotted and issued upon the exercise of the share options to be granted under the Scheme is 86,991,900 shares, representing 10% of the share capital of the Company as at the date of approval of the Scheme and as at 30 June 2022. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the Board, and commences after a certain vesting period (if any) and ends on a date which is not later than 10 years from the date of offer of the share options.

The exercise price of the share options is determinable by the Board, but may not be less than the higher of: (i) the nominal value of the Company's shares; (ii) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (iii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

Share options do not confer any rights on the holders to dividends or to vote at shareholders' meetings.

No share options had been granted during the Period under the Scheme and there was no outstanding share option as at 30 June 2022.

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 2022, 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, and as recorded in the register required to be kept by the Company under section 336 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 2022, no person, other than the directors or the chief executive of the Company whose interests are set out under the sections headed "Directors' interests and short positions in shares and underlying shares" and "Share option scheme" above, had an interest or short position in the shares or underlying shares of the Company that 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, and as recorded in the register required to be kept by the Company 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 during the Period.



Corporate Governance

The Company is committed to maintaining good corporate governance practices. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth and enhancing shareholders value. The Company has applied the principles and complied with the Corporate Governance Code as set out in Part 2 of Appendix 14 of the Listing Rules throughout the Period.

Audit Committee

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

Model Code For Securities Transactions By Directors

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code for securities transactions by Directors. Having made specific enquiry, all 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 23 August 2022.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

| | Notes | Six months ended 30 June 2022 HK\$'000 (Unaudited) | Six months ended 30 June 2021 HK\$'000 (Unaudited) |
|--|-------|--|--|
| REVENUE | 2, 3 | 2,281,135 | 2,036,283 |
| Cost of sales | | (2,049,686) | (1,736,456) |
| Gross profit | | 231,449 | 299,827 |
| Other income and gains, net | 3 | 24,418 | 23,910 |
| Selling and distribution expenses | | (62,990) | (68,413) |
| Write-back of impairment losses/ (impairment losses) on financial assets, net | | 2,112 | (3,929) |
| Administrative expenses | | (157,532) | (161,227) |
| Other operating income/(expenses), net | | 22,414 | (22,231) |
| Finance costs | | (21,336) | (19,784) |
| PROFIT BEFORE TAX | 4 | 38,535 | 48,153 |
| Income tax expense | 5 | (6,518) | (8,901) |
| PROFIT FOR THE PERIOD | | 32,017 | 39,252 |
| Attributable to: | | | |
| Ordinary equity holders of the Company | | 29,453 | 39,519 |
| Non-controlling interests | | 2,564 | (267) |
| | | 32,017 | 39,252 |
| Interim dividend | 6 | Nil | Nil |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY | | | |
| Basic | 7 | HK3.4 cents | HK4.5 cents |
| Diluted | 7 | HK3.4 cents | HK4.5 cents |

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

| | Six months ended 30 June 2022 HK\$'000 (Unaudited) | Six months ended 30 June 2021 HK\$'000 (Unaudited) |
|---|---|--|
| PROFIT FOR THE PERIOD | 32,017 | 39,252 |
| OTHER COMPREHENSIVE EXPENSES | | |
| Other comprehensive expenses may be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences: | | |
| Exchange differences on translation of foreign operations | (154,445) | – |
| TOTAL COMPREHENSIVE (EXPENSES)/INCOME FOR THE PERIOD | (122,428) | 39,252 |
| Attributable to: | | |
| Ordinary equity holders of the Company | (123,941) | 39,519 |
| Non-controlling interests | 1,513 | (267) |
| | (122,428) | 39,252 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

| | Notes | 30 June 2022 HK\$'000 (Unaudited) | 31 December 2021 HK\$'000 (Audited) |
|---|-------|--|--|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 8 | 1,259,618 | 1,424,404 |
| Right-of-use assets | | 221,644 | 237,343 |
| Interests in associates | | 2,825 | 3,686 |
| Prepayments | | 5,479 | 5,848 |
| Long term receivables | | 36,607 | 36,038 |
| Deposits paid | | 2,067 | 5,034 |
| Deferred tax assets | | 28,022 | 29,347 |
| Total non-current assets | | 1,556,262 | 1,741,700 |
| CURRENT ASSETS | | | |
| Properties under development | | 57,419 | 60,220 |
| Inventories | | 1,223,897 | 1,517,754 |
| Accounts and bills receivables | 9 | 663,513 | 863,662 |
| Prepayments, deposits and other receivables | | 62,553 | 76,590 |
| Financial asset at fair value through profit or loss | | 301 | 315 |
| Pledged deposits | | 85,427 | 69,552 |
| Cash and cash equivalents | | 878,214 | 863,437 |
| Total current assets | | 2,971,324 | 3,451,530 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(continued)

As at 30 June 2022

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

| | Attributable to ordinary equity holders of the Company | | | | | | | | | |
|---|--|-------------------------|-------------------------|---------------------------|-------------------------|------------------------------|-------------------------|-------------------------|---------------------------|-------------------------|
| | Issued capital | Share premium account | Capital reserve | Statutory surplus reserve | Other reserve | Exchange fluctuation reserve | Retained profits | Total | Non-controlling interests | Total equity |
| | 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 2021 | 86,992 | 446,105 | 104,804 | 75,974 | (11,979) | 171,893 | 1,210,523 | 2,084,312 | (852) | 2,083,460 |
| Profit for the Period and total comprehensive income for the Period | - | - | - | - | - | - | 39,519 | 39,519 | (267) | 39,252 |
| At 30 June 2021 | 86,992 | 446,105 | 104,804 | 75,974 | (11,979) | 171,893 | 1,250,042 | 2,123,831 | (1,119) | 2,122,712 |
| At 1 January 2022 | 86,992 | 446,105 | 104,804 | 79,337 | (11,979) | 250,258 | 1,253,146 | 2,208,663 | 2,258 | 2,210,921 |
| Profit for the Period and total comprehensive income for the Period | - | - | - | - | - | - | 29,453 | 29,453 | 2,564 | 32,017 |
| Other comprehensive expense for the Period: | | | | | | | | | | |
| Exchange differences on translation of foreign operations | - | - | - | - | - | (153,394) | - | (153,394) | (1,051) | (154,445) |
| Total comprehensive expenses for the Period | - | - | - | - | - | (153,394) | 29,453 | (123,941) | 1,513 | (122,428) |
| Final 2021 dividend declared | - | - | - | - | - | - | (11,310) | (11,310) | - | (11,310) |
| At 30 June 2022 | 86,992 | 446,105 | 104,804 | 79,337 | (11,979) | 96,864 | 1,271,289 | 2,073,412 | 3,771 | 2,077,183 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

| | Six months ended 30 June 2022 HK\$'000 (Unaudited) | Six months ended 30 June 2021 HK\$'000 (Unaudited) |
|---|---|--|
| NET CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES | 46,995 | (269,545) |
| Purchases of items of property, plant and equipment | (40,826) | (51,159) |
| (Increase)/decrease in pledged deposits | (15,875) | 22,534 |
| Other cash flow from/(used in) investing activities | 3,457 | (8,103) |
| NET CASH FLOW USED IN INVESTING ACTIVITIES | (53,244) | (36,728) |
| Drawdown of bank loans | 816,980 | 1,905,667 |
| Repayment of bank loans | (808,891) | (1,624,283) |
| Principal portion of lease payments | (4,502) | – |
| Other cash flow from financing activities | 21,518 | – |
| NET CASH FLOW FROM FINANCING ACTIVITIES | 25,105 | 281,384 |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | 18,856 | (24,889) |
| Cash and cash equivalents at beginning of period | 863,437 | 803,946 |
| EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET | (4,079) | – |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | 878,214 | 779,057 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | |
| Cash and bank balances | 878,214 | 779,057 |

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1.1 BASIS OF PRESENTATION

The interim condensed consolidated financial statements for the six months ended 30 June 2022 have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and with the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”). These condensed consolidated financial statements are unaudited but have been reviewed by the Company’s audit committee.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the Period’s financial information.

| | |
|---|---|
| Amendments to HKFRS 3 | <i>Reference to the Conceptual Framework</i> |
| Amendments to HKAS 16 | <i>Property, Plant and Equipment: Proceeds before Intended Use</i> |
| Amendments to HKAS 37 | <i>Onerous Contracts – Cost of Fulfilling a Contract</i> |
| Annual Improvements to HKFRSs 2018-2020 | <i>Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41</i> |

The adoption of these revised HKFRSs in the Period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these interim condensed consolidated financial statements.

2. OPERATING SEGMENT INFORMATION

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

- (a) the fabric segment engages in the production and sale of knitted fabric and dyed yarn;
- (b) the garment segment engages in the production and sale of garment products and provision of related subcontracting services; and
- (c) the “others” segment includes the provision of sewage treatment services, the provision of air and ocean freight handling services, mining and property development.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax.

Intersegment revenue and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

2. OPERATING SEGMENT INFORMATION (continued)

| | Fabric HK\$'000 | Garment HK\$'000 | Others HK\$'000 | Total HK\$'000 |
|--|--------------------|---------------------|--------------------|-------------------|
| Six months ended 30 June 2022 | | | | |
| (Unaudited) | | | | |
| Segment revenue: | | | | |
| Revenue from external customers | 1,899,981 | 381,154 | - | 2,281,135 |
| Intersegment sales | 72,718 | - | - | 72,718 |
| | 1,972,699 | 381,154 | - | 2,353,853 |
| Elimination of intersegment sales | | | | (72,718) |
| | | | | 2,281,135 |
| Segment profit/(loss) | 44,145 | 15,721 | (999) | 58,867 |
| Bank interest income | 844 | 27 | 11 | 882 |
| Finance costs (other than interest on lease liabilities) | (20,491) | - | - | (20,491) |
| Share of loss of an associate | - | (723) | - | (723) |
| Profit/(loss) before tax | 24,498 | 15,025 | (988) | 38,535 |
| Income tax (expense)/credit | (3,970) | (2,750) | 202 | (6,518) |
| Profit/(loss) for the period | 20,528 | 12,275 | (786) | 32,017 |
| As at 30 June 2022 (Unaudited) | | | | |
| Assets and liabilities | | | | |
| Segment assets | 3,890,901 | 470,688 | 135,150 | 4,496,739 |
| Interest in associates | - | 2,825 | - | 2,825 |
| Deferred tax assets | 2,629 | - | 25,393 | 28,022 |
| Total assets | 3,893,530 | 473,513 | 160,543 | 4,527,586 |
| Segment liabilities | 2,369,033 | 68,609 | 7,844 | 2,445,486 |
| Deferred tax liabilities | - | - | 4,917 | 4,917 |
| Total liabilities | 2,369,033 | 68,609 | 12,761 | 2,450,403 |
| Other segment information: | | | | |
| Six months ended 30 June 2022 | | | | |
| (Unaudited) | | | | |
| Depreciation of property, plant and equipment | 143,235 | 3,321 | 2,277 | 148,833 |
| Depreciation of right-of-use assets | 6,720 | 1,525 | - | 8,245 |
| Capital expenditure | 36,893 | 3,933 | - | 40,826 |

2. OPERATING SEGMENT INFORMATION (continued)

| | Fabric HK\$'000 | Garment HK\$'000 | Others HK\$'000 | Total HK\$'000 |
|--|--------------------|---------------------|--------------------|-------------------|
| Six months ended 30 June 2021 | | | | |
| (Unaudited) | | | | |
| Segment revenue: | | | | |
| Revenue from external customers | 1,860,152 | 176,131 | – | 2,036,283 |
| Intersegment sales | 94,392 | – | – | 94,392 |
| | 1,954,544 | 176,131 | – | 2,130,675 |
| Elimination of intersegment sales | | | | (94,392) |
| | | | | 2,036,283 |
| Segment profit/(loss) | 69,515 | 270 | (2,883) | 66,902 |
| Bank interest income | 1,400 | 15 | 10 | 1,425 |
| Finance costs (other than interest on lease liabilities) | (18,821) | (1) | – | (18,822) |
| Share of loss of an associate | – | (1,352) | – | (1,352) |
| Profit/(loss) before tax | 52,094 | (1,068) | (2,873) | 48,153 |
| Income tax (expense)/credit | (7,650) | (1,448) | 197 | (8,901) |
| Profit/(loss) for the period | 44,444 | (2,516) | (2,676) | 39,252 |
| As at 31 December 2021 | | | | |
| (Audited) | | | | |
| Assets and liabilities | | | | |
| Segment assets | 4,524,219 | 488,792 | 147,186 | 5,160,197 |
| Interest in associates | – | 3,686 | – | 3,686 |
| Deferred tax assets | 2,716 | – | 26,631 | 29,347 |
| Total assets | 4,526,935 | 492,478 | 173,817 | 5,193,230 |
| Segment liabilities | 2,848,353 | 114,241 | 14,357 | 2,976,951 |
| Deferred tax liabilities | – | – | 5,358 | 5,358 |
| Total liabilities | 2,848,353 | 114,241 | 19,715 | 2,982,309 |
| Other segment information: | | | | |
| Six months ended 30 June 2021 | | | | |
| (Unaudited) | | | | |
| Depreciation of property, plant and equipment | 143,694 | 2,468 | 2,030 | 148,192 |
| Depreciation of right-of-use assets | 6,351 | 1,525 | 553 | 8,429 |
| Capital expenditure | 38,013 | 13,076 | 70 | 51,159 |

2. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

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

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

(b) Non-current assets

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

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

2. OPERATING SEGMENT INFORMATION (continued)

Information about a major customer

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

3. REVENUE, OTHER INCOME AND GAINS, NET

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

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

| | Six months ended 30 June 2022 HK\$'000 (Unaudited) | Six months ended 30 June 2021 HK\$'000 (Unaudited) |
|--|---|--|
| Revenue from contracts with customers | | |
| Production and sale of knitted fabric and dyed yarn | 1,899,981 | 1,860,152 |
| Production and sale of garment products and provision of related subcontracting services | 381,154 | 176,131 |
| | 2,281,135 | 2,036,283 |

3. REVENUE, OTHER INCOME AND GAINS, NET (continued)

Disaggregated revenue information

For the six month ended 30 June 2022

| Segments | Fabric HK\$'000 | Garment HK\$'000 | Total HK\$'000 |
|--|--------------------|---------------------|-------------------|
| Types of goods or services | | | |
| Sale of goods | 1,899,981 | 361,338 | 2,261,319 |
| Subcontracting services | - | 19,816 | 19,816 |
| Total revenue from contracts with customers | 1,899,981 | 381,154 | 2,281,135 |
| Geographical markets | | | |
| Korea | 708,992 | - | 708,992 |
| Mainland China | 346,133 | 74,258 | 420,391 |
| Taiwan | 284,372 | - | 284,372 |
| Singapore | 72,525 | 62,886 | 135,411 |
| Hong Kong | 116,176 | 13,045 | 129,221 |
| Others | 371,783 | 230,965 | 602,748 |
| Total revenue from contracts with customers | 1,899,981 | 381,154 | 2,281,135 |
| Timing of revenue recognition | | | |
| At a point in time | 1,899,981 | 381,154 | 2,281,135 |

3. REVENUE, OTHER INCOME AND GAINS, NET (continued)

Disaggregated revenue information (continued)

For the six month ended 30 June 2021

| Segments | Fabric HK\$'000 | Garment HK\$'000 | Total HK\$'000 |
|---|--------------------|---------------------|-------------------|
| Types of goods or services | | | |
| Sale of goods | 1,860,152 | 169,315 | 2,029,467 |
| Subcontracting services | – | 6,816 | 6,816 |
| Total revenue from contracts with customers | 1,860,152 | 176,131 | 2,036,283 |
| Geographical markets | | | |
| Korea | 753,596 | – | 753,596 |
| Mainland China | 397,401 | 32,072 | 429,473 |
| Taiwan | 305,160 | – | 305,160 |
| Singapore | 98,381 | 43,312 | 141,693 |
| Hong Kong | 89,292 | – | 89,292 |
| Others | 216,322 | 100,747 | 317,069 |
| Total revenue from contracts with customers | 1,860,152 | 176,131 | 2,036,283 |
| Timing of revenue recognition | | | |
| At a point in time | 1,860,152 | 176,131 | 2,036,283 |

3. REVENUE, OTHER INCOME AND GAINS, NET (continued)

| | Six months ended 30 June 2022 HK\$'000 (Unaudited) | Six months ended 30 June 2021 HK\$'000 (Unaudited) |
|--|---|--|
| Other income | | |
| Subsidy income | 4,456 | 2,584 |
| Sewage treatment provided | 11,943 | 10,778 |
| Bank interest income | 882 | 1,425 |
| Fee income from freight handling services | 4,352 | 5,305 |
| Others | 2,799 | 3,531 |
| | 24,432 | 23,623 |
| Gains, net | | |
| Fair value (losses)/gains, net: | | |
| Financial assets at fair value through profit or loss – held for trading | (14) | 287 |
| Other income and gains, net | 24,418 | 23,910 |

4. PROFIT BEFORE TAX

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

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

5. INCOME TAX

| | Six months ended 30 June 2022 HK\$'000 (Unaudited) | Six months ended 30 June 2021 HK\$'000 (Unaudited) |
|---------------------------------|---|---|
| Current tax – Hong Kong | | |
| Charge for the period | 6,311 | 7,806 |
| Current tax – Elsewhere | | |
| Charge for the period | 409 | 1,292 |
| Deferred tax credit | (202) | (197) |
| Total tax charge for the period | 6,518 | 8,901 |

Hong Kong profits tax has been provided on the estimated assessable profits arising in Hong Kong at the rate of 16.5% (six months ended 30 June 2021: 16.5%), except for one subsidiary of the Group which is qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (six months ended 30 June 2021: HK\$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% (six months ended 30 June 2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (six months ended 30 June 2021: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

Pursuant to the Corporate Income Tax Law of the PRC effective on 1 January 2008, the corporate income tax rate is 25% for all enterprises in Mainland China.

During the periods ended 30 June 2022 and 30 June 2021, certain subsidiaries of the Group were entitled to a preferential tax rate of 15% under the status of High New Technology Enterprises.

6. DIVIDEND

The Board has resolved not to declare any interim dividend for the Period (six months ended 30 June 2021: Nil).

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

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

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

8. PROPERTY, PLANT AND EQUIPMENT

The changes in the net book value of property, plant and equipment for the six months ended 30 June 2022 are analysed as follows:

| | HK\$'000 |
|-----------------------------|------------------|
| At 1 January 2022 (Audited) | 1,424,404 |
| Additions | 40,826 |
| Depreciation | (148,833) |
| Disposals | (404) |
| Exchange Realignment | <u>(56,375)</u> |
| At 30 June 2022 (Unaudited) | <u>1,259,618</u> |

As at 30 June 2022, the Group was in the process of applying the building ownership certificates in respect of certain self-used properties with net book value of approximately HK\$3.4 million (31 December 2021: approximately HK\$3.8 million) and approximately HK\$34.0 million (31 December 2021: approximately HK\$37.4 million) situated in Nansha and EnPing, the PRC, respectively. The Company's directors confirmed that the Group has properly obtained the land use right certificates in respect of the land on which the aforementioned self-used properties are located, and therefore 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 RECEIVABLE

The Group's trading with its customers are generally on credit terms of up to three months and are non-interest bearing (except for certain well-established customers with strong financial strength, good repayment history and creditworthiness, where the credit terms are extended to six months). The Group seeks to maintain strict control over its outstanding receivable and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's accounts and bills 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 RECEIVABLE (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 net of impairment allowance, is as follows:

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

10. ACCOUNTS AND BILLS PAYABLE

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

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

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

11. COMMITMENTS

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

Capital commitments

| | 30 June 2022 HK\$'000 (Unaudited) | 31 December 2021 HK\$'000 (Audited) |
|---|--|--|
| Contracted but not provided for: | | |
| Purchases of machinery | 52,803 | 12,479 |
| Construction in progress | 23,207 | 27,515 |
| Construction of new manufacturing facilities | 177,170 | 197,696 |
| Construction of properties under development | 9,154 | 9,154 |
| | 262,334 | 246,844 |

The Group had outstanding commitments amounting to HK\$82,740,000 (31 December 2021: HK\$235,974,000) as at the end of the reporting period in respect of irrevocable letters of credit.

12. 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, commencement of construction work permit in respect of a six-storey factory building, with a net book value of approximately HK\$0.6 million (31 December 2021: approximately HK\$0.8 million) as at 30 June 2022.

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.

12. RELATED PARTY TRANSACTIONS (continued)

- (b) Outstanding balances with a related party:

There is no amount due to an associate of the Group included in the Group's accounts payables. As at 31 December 2021, included in the Group's accounts payables is an amount due to an associate of the Group of HK\$694,000, which is repayable within two months, which represents credit terms similar to those offered by the associate to its major customers.

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

| | Six months ended 30 June 2022 HK\$'000 (Unaudited) | Six months ended 30 June 2021 HK\$'000 (Unaudited) |
|------------------------------|---|--|
| Short-term employee benefits | 13,509 | 13,355 |
| Post-employment benefits | 153 | 153 |
| | 13,662 | 13,508 |

13. TRANSFERS OF FINANCIAL ASSETS

Transferred financial assets that are not derecognised in their entirety

At 30 June 2022, the Group endorsed certain bank bills receivables in the PRC (the "Endorsed Bills") with a carrying amount of RMB2,747,000 (equivalent to HK\$3,194,000) (31 December 2021: RMB9,275,000 (equivalent to HK\$11,311,000)) to certain suppliers in order to settle the accounts payables due to such suppliers (the "Endorsement"). In the opinion of the directors, the Group has retained the substantial risk 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 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 payables settled by the Endorsed Bills during the Period to which the suppliers have recourse was RMB2,747,000 (equivalent to HK\$3,194,000) (31 December 2021: RMB9,275,000 (equivalent to HK\$11,311,000)) as at 30 June 2022.

13. TRANSFERS OF FINANCIAL ASSETS (continued)

Transferred financial assets that are derecognised in their entirety

At 30 June 2022, the Group endorsed certain bank bills receivables in the PRC (the “Derecognised Bills”) which were originally endorsed by its customers, to certain of its suppliers for settling the accounts payables due to such suppliers in aggregate of RMB43,035,000 (equivalent to HK\$50,041,000) (31 December 2021: RMB53,009,000 (equivalent to HK\$64,646,000)). 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 have a right of recourse against the Group if the PRC banks default (the “Continuing Involvement”). In the opinion of the directors of the Company, the Group has transferred substantially all risk and rewards related to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated accounts 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.

During the periods ended 30 June 2022 and 30 June 2021, 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 2022 and 30 June 2021.