



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

2023

Annual Report

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

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

### Independent Non-Executive Directors

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

## COMPANY SECRETARY

Mr. Chang Man Kwong

## AUDITOR

Ernst & Young  
*Certified Public Accountants*  
*Registered Public Interest Entity Auditor*

## REGISTERED OFFICE

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

## COMPANY WEBSITE

[www.kamhingintl.com](http://www.kamhingintl.com)

## 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 BANKERS

The Hongkong and Shanghai Banking  
Corporation Limited  
Hang Seng Bank Limited  
Bank of China (Hong Kong) Limited  
Standard Chartered Bank (Hong Kong) Limited

## 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

# FINANCIAL HIGHLIGHTS AND SUMMARY

## KEY FINANCIAL DATA

	For the year ended/As at 31 December				2023 HK\$'000
	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2022 HK\$'000	
Revenue	4,350,664	3,826,829	4,389,437	4,106,168	3,604,357
EBITDA (note 1)	496,408	344,976	414,003	300,078	239,379
Equity attributable to ordinary equity holders of the Company	1,990,763	2,084,312	2,208,663	1,913,199	1,650,528
Net profit/(loss) attributable to ordinary equity holders of the Company (notes 2, 3 and 4)	63,867	(37,561)	45,986	(57,958)	(131,089)
Dividends per share (HK cents)	1.5	–	1.3	–	–

## KEY FINANCIAL RATIOS

	For the year ended/As at 31 December				2023
	2019	2020	2021	2022	
Gross margin (%)	13.6	11.2	12.7	8.6	8.2
Net profit/(loss) margin (%)	1.4	(0.9)	1.1	(1.3)	(3.7)
Gearing ratio (net debt/capital and net debt) (%)	50.7	46.4	48.8	35.9	42.3

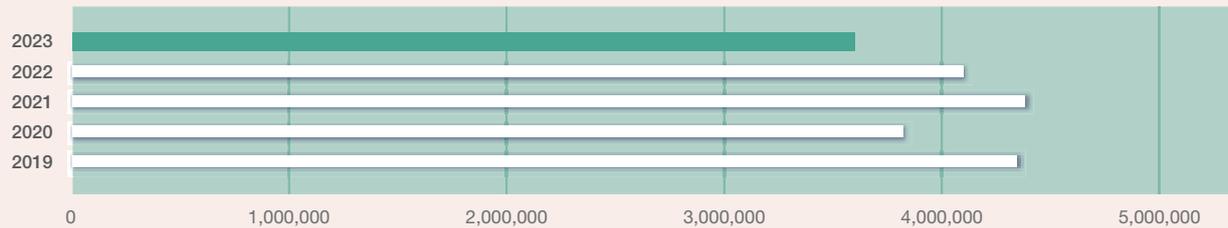
Notes:

- (1) EBITDA refers to earnings before interest, tax, depreciation and amortisation
- (2) Excluding the one-off loss of HK\$3.8 million in relation to the deregistration of subsidiaries in 2019
- (3) Excluding the one-off gain of HK\$0.3 million in relation to the deregistration of subsidiaries in 2020
- (4) Excluding the one-off loss of HK\$1.8 million in relation to the deregistration of subsidiaries in 2023

# FINANCIAL HIGHLIGHTS AND SUMMARY

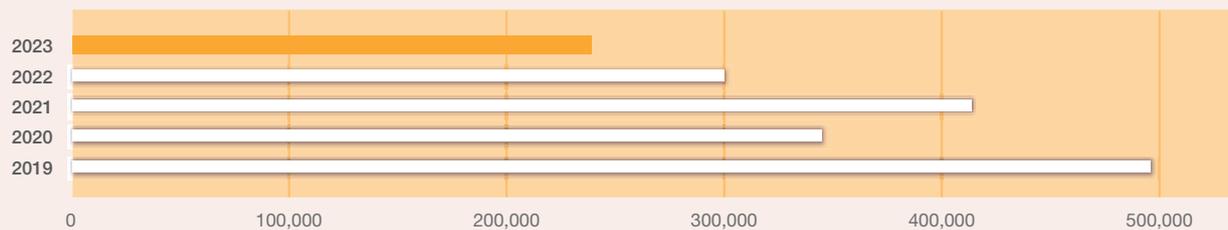
## REVENUE

HK\$'000



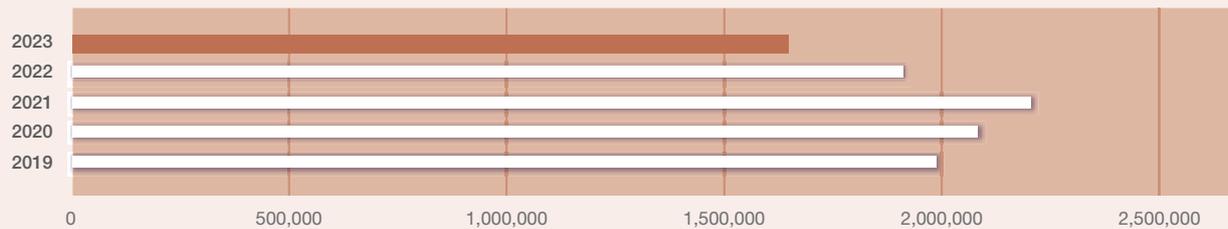
## EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (“EBITDA”)

HK\$'000



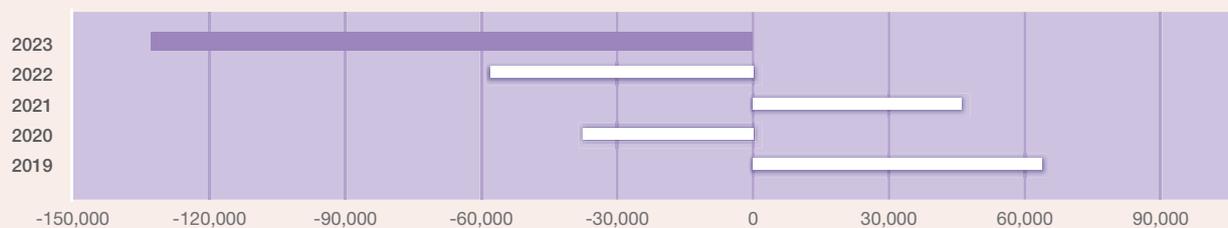
## SHAREHOLDERS' FUNDS

HK\$'000



## NET PROFIT/(LOSS) ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

HK\$'000



# CHAIRMAN'S STATEMENT



On behalf of the board of directors (the “Board”) of Kam Hing International Holdings Limited (the “Company”, together with its subsidiaries, collectively the “Group”), I would like to present to our valued shareholders the annual results for the year ended 31 December 2023 (the “Year”).

In 2023, the Group encountered challenges stemming from reduced order flow from our major U.S. customers, particularly evident as retail customers reduced stock levels due to weakened consumption power amid unprecedented levels of high inflation and interest rate. Furthermore, the post-COVID economic rebound in China fell below expectations, intensifying competition among textile manufacturers and ultimately impacting our profits amidst sluggish export growth.

In response to the significant inflationary environment, we reevaluated our regional expansion strategy into Southeast Asia. Opting for a more prudent approach with reduced capital commitments, we postponed the construction plan for the self-built integrated textile manufacturing base in Nam Dinh Province, Vietnam. Instead, we focused on establishing strategic partnerships with local manufacturers in Southeast Asia, leveraging existing manufacturing bases to accelerate the development of our vertically integrated manufacturing layout.

Throughout the Year, the Group's profitability was also influenced by several one-off items. This included the restructuring of our Nansha yarn-dyeing function in late 2023 due to low utilization, resulting in one-off redundancy payment of approximately HK\$17.3 million. Additionally, we made a one-off tax payment of approximately HK\$17.4 million for prior years' tax modifications in Chinese Mainland. The aggressive interest rate environment last year led to a notable increase in net interest expenses, totalling approximately HK\$24.6 million for 2023. We believe that these financial impacts were short-term and limited, and they would allow greater financial flexibility for us and would contribute to establishing an unencumbered operational foundation for our future endeavours.

# CHAIRMAN'S STATEMENT

The Group recorded a year-on-year decrease of 12.2% in overall revenue for 2023, to approximately HK\$3,604.4 million, with a net loss attributable to ordinary equity holders amounted to approximately HK\$132.9 million. The Board has resolved not to recommend the payment of a final dividend for the Year.

## PROSPECTS

Looking forward to 2024, the Group maintains a cautiously optimistic stance. Holiday shopping in the U.S. surpassed expectations in December 2023, as consumers hastened their spending. According to the U.S. Commerce Department, retail sales in the U.S. concluded 2023 with a 5.6% year-on-year increase. Although these figures are not adjusted for inflation, they indicate that consumers are keeping pace with economic changes. In line with industry trend, we have already secured a promising order book for the first quarter of 2024. With new strategies in place, we are confident in navigating the dynamic business landscape with a more resilient business model and enhanced capabilities in 2024, positioning ourselves to embrace the global economic recovery.

### Strengthening Global Manufacturing Network with Partnership in Southeast Asia

In alignment with our core development strategy focused on providing multi-location and vertically integrated textile and garment solutions, we found partners who have existing knitting and dyeing manufacturing plant based in Vietnam.

By leveraging partners' established plant, we are able to rapidly set up our production capacity in Vietnam. This strategic initiative, complemented by our existing textile manufacturing hub in Enping and Nansha, China, and expanded garment production facilities in Cambodia, establishes a robust production triangle in Asia.

Our primary focus this year is on integration, as we introduce our best practices in production, quality assurance systems, and training initiatives to ensure that product quality of any new production base in Southeast Asia aligns seamlessly with our international standards.

This collaborative endeavour reaffirms our dedication to delivering excellence across our global operations and reinforces our position in the textile and garment sector. Furthermore, we have initiated discussions with manufacturing plants in Malaysia and other Asian regions to explore potential collaboration opportunities, with the aim of further strengthening our global production layout.

### Fortifying Competitiveness by Upholding Core Values and R&D Focus

Recognizing the fluid nature of fashion trends, we place high importance on market trend tracking and understanding consumers' preferences to maintain our relevance and secure market presence. Upholding the Group's core business values, we employ a multifaceted approach, including (1) enhancing product quality, (2) integrating innovative materials and production technologies, (3) offering one-stop solutions, (4) optimizing production processes for swift responses, and (5) fostering sustainable and reliable partnerships. Leveraging our integrated role as a textile and garment manufacturer, we actively engage with brand customers and retailers, offering tailored solutions to meet their specific preferences and requirements. By forging strong partnerships and delivering integrated solutions, we strengthen our market position and enhance our competitiveness in the ever-evolving apparel landscape.

# CHAIRMAN'S STATEMENT

## Appreciation

I want to take this moment to extend my sincere gratitude to the Company's shareholders for their unwavering support, and to our suppliers, customers, and partners for placing their trust in us. Lastly, I express my deepest appreciation to the Board, management, and all our employees for their tireless dedication and commitment over the past year.

**Tai Chin Chun**

*Chairman*

26 March 2024

# MANAGEMENT DISCUSSION AND ANALYSIS

## MARKET REVIEW

Throughout 2023, the textile and garment sector endured another challenging year marked by persistent macroeconomic uncertainties. Factors such as slower-than-anticipated economic growth, inflationary pressures, interest rate hikes, and geopolitical tensions persisted, impeding the industry's path to recovery.

Economic conditions are proved demanding, with inflation rates beginning at 6.4% in the United States ("U.S.") before gradually moderating to 3% to 4%, yet still well above the U.S. Federal Reserve's target of 2%. Concurrently, elevated interest rates, coupled with escalating prices of essential commodities, strained consumer finances, resulted in a substantial rise in household debt. The consumer sentiment leaned towards cautious spending, prioritizing essentials over discretionary purchases like fashion and apparel. Consequently, retailers adopted conservative inventory management strategies, actively destocking their shelves throughout the year to mitigate the risk of excessive inventory buildup, leading to considerable declines in purchasing volumes. Reflecting these trends, U.S. apparel imports experienced a notable 21.7% decline in both quantity and value compared to the previous year.

In China, despite the gradual reopening of economic activities post-COVID-19, market recovery lagged behind expectations. Consumption patterns among Chinese consumers shifted noticeably, with a preference for cash reserves over discretionary spending. Responding to weakened demand, retailers resorted to increase discounting and promotional activities. The intensified pricing pressure, coupled with sluggish export growth, intensified competition among domestic textile and garment manufacturers, triggering price battles and impacting profitability.

## BUSINESS OVERVIEW

In 2023, the Group's textile business encountered similar challenges that were experienced across the entire industry on a global scale. High inflation rates and rising interest rates in the West contributed to subdued consumer sentiment and a diminished market. Oversupply in retail channels prompted reduced procurement and destocking among brand customers and retailers. To address the shrinking demand, the Group promptly adjusted its product mix to focus more on mass-market orders, aiming to maintain sales stability and enhance manufacturing efficiency. However, this shift resulted in lower average selling prices and profit margins. Although reduced cotton yarn costs and Renminbi depreciation partially alleviated production expenses, profitability remained impacted. Similarly, the Group's garment segment encountered reduced demand and experienced a decrease in orders at its Cambodia plant from its customers.

Overall revenue of the Group for 2023 decreased by approximately 12.2% year-over-year to approximately HK\$3,604.4 million, with gross profit decreased by approximately 16.7% year-over-year to approximately HK\$295.2 million. Loss attributable to ordinary equity holders of the Company for the Year amounted to approximately HK\$132.9 million, which included a one-off tax payment of approximately HK\$17.4 million for prior years' tax modification in Chinese Mainland and one-off severance costs of approximately HK\$17.3 million resulting from streamlining of the Group's structure. Basic loss per share of the Year was approximately HK15.3 cents.

For the Year, revenue generated from the textile business and garment business accounted for approximately 81.7% and 18.3% of the overall 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. In September 2023, the Group closed its Nansha yarn-dyeing function due to low utilization. Although this decision incurred one-off severance costs and loss on disposal of yarn-dyeing equipments, it is expected to enhance the efficiency and profitability of the Group in the long run.

Amidst dwindling sales, soaring interest rates, and subdued consumer sentiment impacting the industry, the Group embarked on a thorough reassessment of its regional expansion strategy into Southeast Asia. The Group opted for a more prudent alternative, this involved forging strategic partnerships with local manufacturers in Southeast Asia to bolster our capacity to meet the evolving needs of the customers seeking flexibility in the country of origin. This strategic shift not only accelerates the expansion of our offshore production capacity but also increase the Group's investment flexibility and with lower risk.

# MANAGEMENT DISCUSSION AND ANALYSIS

In Cambodia, the construction of a new garment factory, owned by the Group, was finalised by the end of 2023. This expansion plan has boosted the Group's manufacturing capacity in Cambodia, empowering it with enhanced research and development capabilities and the ability to offer additional value-added products and services. These offshore investments form a crucial component of the Group's multi-location manufacturing strategy.

As a result of the aggressive interest rates last year, the Group experienced a notable rise in net interest expenses, amounting to approximately HK\$24.6 million for 2023. Concurrently, aligning with the recent adjustment in its regional expansion strategy, the Group utilised its available cash reserves to settle a bank loan of HK\$1,300 million during the year of 2023. This strategic decision not only ensures greater financial flexibility for the Group but also establishes a sustainable and unencumbered operational foundation for its future endeavours.

## PROSPECTS

The Group is cautiously optimistic about its growth prospects in 2024. Data of the U.S. Gross Domestic Product (GDP) in 2023 reflected the economy's resilience, characterised by a stable job market and favourable consumption trends. Expectations of an interest rate cut by the U.S. Federal Reserve, coupled with the easing of inflation, indicate a positive shift in consumer sentiment in the U.S.. As the lingering effects of inflation and challenges from 2023 recede, optimism grows for a smoother year ahead.

The first half of 2024 has commenced with a surge in orders for the Group. The completion of destocking initiatives by U.S. retailers in the last quarter of 2023 paved the way for increased stock replenishments, leading to the notable order growth. The influx of orders is expected to enhance the Group's product mix, improve production efficiency and increase utilization rate, and ultimately optimise its profitability.

The Group continues its expansion in Southeast Asia as part of its strategy to build its multi-location manufacturing network. Apart from Vietnam, the Group is actively seeking potential acquisition targets or partners to accelerate its expansion in Southeast Asia. With fabric manufacturing site in Vietnam, together with the Group's textile manufacturing hub in Enping and Nansha, China, and expanded garment production facilities in Cambodia, forms an production triangle in Asia. This strategic move is positioned to capitalise on the anticipated industry demand rebound in 2024. It also enhances the Group's ability to cater to its brand customers by offering one-stop, multi-location manufacturing solutions, aligning with their ongoing supply chain diversification. The Group will continue to seek investment opportunities and partnerships with regional textile and garment manufacturers to expand its vertically integrated manufacturing network in Southeast Asia.

In conclusion, the Group reaffirms its commitment to navigating the dynamic business landscape with its resilient business model and enhanced efficiency. As we venture into 2024, the Group stands well-positioned and unhindered to capitalise on future opportunities for market expansion. By offering comprehensive, one-stop integrated solutions for customers, the Group is poised to drive sustainable development in the years ahead.

## FINANCIAL REVIEW

### Revenue

Overall sales turnover was approximately HK\$3,604.4 million, representing a decrease of approximately 12.2% (2022: approximately HK\$4,106.2 million). The sales of fabric decreased by approximately 10.6% to approximately HK\$2,944.8 million (2022: approximately HK\$3,293.0 million). Meanwhile, the sales of garment decreased by approximately 18.9% to approximately HK\$659.6 million (2022: approximately HK\$813.2 million).

# MANAGEMENT DISCUSSION AND ANALYSIS

## Gross Profit and Gross Margin

Gross profit was approximately HK\$295.2 million, representing a decrease of approximately 16.7% (2022: approximately HK\$354.3 million). Gross margin dropped to approximately 8.2% (2022: approximately 8.6%). The decrease in gross profit margin was attributable to a range of factors. With high level of inflation and interest rate, sales orders have experienced a decline, while intense competition has adversely impacted the gross margin.

## Finance Costs

Finance costs, which included an amortisation of syndicated loan charges, interest on term loans from banks, trade loans, bank overdraft and interests on discounted bills, increased by approximately 78.6% to approximately HK\$104.7 million (2022: approximately HK\$58.6 million) as compared with last year. This was primarily due to increase in average bank borrowings interest rate during the Year. In a higher interest rate environment, the Group aims to cut back on interest expenses. By early repayment of a syndicated loan during the Year, the Group reduced its total bank borrowings.

## Selling and Distribution Expenses

Selling and distribution expenses decreased to approximately HK\$98.3 million (2022: approximately HK\$107.3 million), which is in line with decrease in sales.

## Administrative Expenses

Administrative expenses, including salaries, depreciation, customs declaration, and other related expenses decreased to approximately HK\$294.3 million (2022: approximately HK\$297.6 million). The Group has put efforts on cost control and maintained the administrative expenses at an acceptable level.

## Other Operating Income/Expenses, net

Other operating expenses, net, was approximately HK\$8.5 million (2022: other operating income, net, approximately HK\$5.7 million), which mainly comprised foreign exchange gain of approximately HK\$52.3 million (2022: gain of approximately HK\$45.0 million), operating expenses on sewage treatment of approximately HK\$22.9 million (2022: approximately HK\$22.6 million) and one-off redundancy payment of HK\$17.3 million (2022: 15.0 million) in connection with the internal organisational restructuring for the Year.

## Net Loss

Net loss attributable to ordinary equity holders of the Company for the Year was approximately HK\$132.9 million (2022: HK\$58.0 million). The increase in net loss was mainly due to decrease in sales and gross profit margin. Several one-off items also increased the net loss as mentioned above.

## Liquidity and Financial Resources

As at 31 December 2023, the Group's net current assets were approximately HK\$764.4 million (2022: approximately HK\$1,472.3 million). The decrease in net current assets was mainly due to early repayment of a syndicated loan which amounted to HK\$1.3 billion during the Year. The Group borrowed several term loans from banks at the end of year to maintain its good liquidity. The Group will constantly review its financial position and maintain a healthy financial position by financing its operations from internally generated resources and long-term bank loans. As at 31 December 2023, the Group had cash and cash equivalents of approximately HK\$916.1 million (2022: approximately HK\$1,074.6 million). Current ratio was approximately 1.4 times (2022: approximately 2.3 times).

# MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2023, total bank borrowings of the Group were approximately HK\$1,261.5 million (2022: approximately HK\$1,462.3 million). The Group's net debt gearing ratio (i.e. net debts divided by the sum of equity and net debts) was approximately 42.3% (2022: approximately 35.9%). Net debts comprise all interest-bearing bank borrowings, accounts and bills payables, an amount due to an associate, lease liabilities and accrued liabilities and other payables less cash and cash equivalents. Equity comprises owners' equity as stated in the consolidated financial statements.

Debtors' turnover period, inventory turnover period and creditors' turnover period for the Year was 53.4 days (2022: 63.3 days), 94.6 days (2022: 114.0 days) and 61.5 days (2022: 62.3 days) respectively. In response to rapid market changes, parties are experiencing a gradual shortening of operating cycles in order to meet market demands and mitigate operational risk.

## Financing

As at 31 December 2023, total banking facilities of the Group amounted to approximately HK\$4,341.6 million (2022: approximately HK\$5,225.6 million), of which approximately HK\$1,635.8 million (2022: approximately HK\$1,739.0 million) was utilised.

As at 31 December 2023, the Group's long-term loans were approximately HK\$377.8 million comprising term loans from banks (2022: approximately HK\$966.7 million, comprising syndicated loan from banks).

## Dividend

The Board has resolved not to recommend the payment of a final dividend for the Year (2022: Nil).

## Capital Structure

The capital structure of the Company is composed of equity and debt.

As at 31 December 2023, there has been no change in the capital structure of the Company. The share capital of the Company comprises only ordinary shares.

## Foreign Exchange Risk and Interest Rate Risk

Approximately 80.0% (2022: approximately 80.3%) of the Group's sales was denominated in U.S. dollars. The remaining sales were denominated in Hong Kong dollars and Renminbi. The majority of the Group's costs of sales were denominated in U.S. dollars, Hong Kong dollars and Renminbi. The Group is therefore exposed to foreign exchange risk arising from currency exposures, primarily in respect to the Renminbi. During the Year, the U.S. dollars is strong relative to other currencies. The Group continued to monitor foreign exchange movements and determined appropriate and prudent hedging measures as needed.

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.

## Capital Expenditure

As at 31 December 2023, the Group invested approximately HK\$170.4 million (2022: approximately HK\$79.2 million) in capital expenditure of which approximately 62.9% (2022: approximately 97.7%) was used for the purchase of plant and the remaining was used for the purchase of other items of property, plant and equipment.

As at 31 December 2023, the Group had capital commitments of approximately HK\$22.0 million (2022: approximately HK\$48.6 million) in property, plant and equipment and right-of-use assets and approximately HK\$176.2 million (2022: approximately HK\$221.7 million) in construction of new manufacturing facilities. All are funded or will be funded by internal resources of the Group.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Staff Policy

The Group had 3,806 (2022: 3,919) employees in the People's Republic of China ("PRC"), 2,734 employees in Cambodia (2022: 2,703) and 116 employees in Hong Kong, Macau, Singapore and others territories (2022: 121) as at 31 December 2023. 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 also participates in various defined contribution plans and insurance schemes in compliance with its statutory obligations under the laws and regulations of various locations worldwide.

The Group operates a defined contribution retirement benefit scheme under the Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong) as well as medical insurance for all its employees in Hong Kong. The Group also participates in various defined contribution plans and insurance schemes in compliance with its statutory obligations under the laws and regulations of various locations worldwide. 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 has adopted 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.

## Segment Information

For the Year, the major end-market remained as the U.S.. By analysis of the location of customers, by regions, sales to the five largest regions (Korea, Chinese Mainland, Hong Kong, Singapore and Taiwan) accounted for approximately 77.1% (2022: Korea, Chinese Mainland, Taiwan, United Kingdom and Hong Kong, approximately 73.9%) of total sales of the Group and sales to the largest region, Korea (2022: Korea) included therein accounted for approximately 39.7% (2022: approximately 33.0%) of total sales of the Group.

As at 31 December 2023, the Group's assets for the fabric operation accounted for approximately 82.8% (2022: approximately 84.9%) of the total assets of the Group. Capital expenditure in the fabric operation during the Year accounted for 52.2% (2022: 96.5%) of the total capital expenditure of the Group.

## Significant Investment

As at 31 December 2023, the Group did not hold any significant investment with a value of 5% or more of the Group's total assets.

## Material Acquisition and Disposal

On 5 January 2023, the Group entered into an agreement in principle and a share transfer agreement with two independent third parties respectively in relation to the acquisition (the "Acquisition") of 100% equity interests in Great Garment Vietnam Company Limited ("Great Garment Vietnam"), a company incorporated in Vietnam, for cash consideration of Vietnamese Dong 75,200,860,000 (equivalent to approximately HK\$22,582,800). Great Garment Vietnam is principally engaged in the manufacturing of garment products and its sole asset is a land plot located in Vietnam. Following completion of the Acquisition, which has yet to take place subject to the satisfaction of all the conditions precedent as at the date of this announcement, Great Garment Vietnam will become an indirect wholly-owned subsidiary of the Company. Further details of the Acquisition are set out in the announcement of the Company dated 5 January 2023.

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## **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 for the Year, nor were there any unutilised proceeds brought forward from any issue of equity securities made in previous financial years.

## **Contingent Liabilities**

As at 31 December 2023, the Group did not have any significant contingent liabilities (31 December 2022: Nil).

## **Charge of Group's Assets**

As at 31 December 2023, none of the Group's land and buildings were pledged (31 December 2022: Nil).

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

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 code provisions set out in Part 2 of Appendix C1 (Corporate Governance Code) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the Year.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") as set out in Appendix C3 of the Listing Rules as the code for securities transactions by Directors. Having made specific enquiry of all Directors, the Directors have confirmed that they have complied with the required standard set out in the Model Code for the Year.

## BOARD OF DIRECTORS

As at 31 December 2023, the Board comprised eight Directors, including five executive Directors and three independent non-executive Directors. Biographical details of the Directors are set out in the section headed "Profile of Directors and Senior Management" on pages 25 to 28 of the annual report.

The composition of the Board, by category, is set out below:

Title	Name	Position	Gender	Age	Length of service
Executive Directors:	Mr. Tai Chin Chun	Chairman	Male	62	30 years
	Mr. Tai Chin Wen	Chief Executive Officer	Male	68	30 years
	Ms. Cheung So Wan		Female	60	27 years
	Ms. Wong Siu Yuk		Female	62	27 years
	Mr. Lei Heong Man		Male	63	14 years
Independent Non-executive Directors:	Mr. Ho Gilbert Chi Hang	Chairman of Nomination Committee	Male	47	13 years
	Mr. Ting Kay Loong	Chairman of Remuneration Committee	Male	62	7 years
	Mr. Wu Tak Lung	Chairman of Audit Committee	Male	58	8 years

There is no relationship among members of the Board except for the family relationship among Mr. Tai Chin Chun, Mr. Tai Chin Wen, Ms. Cheung So Wan and Ms. Wong Siu Yuk. Mr. Tai Chin Chun is the younger brother of Mr. Tai Chin Wen and their spouses are Ms. Cheung So Wan and Ms. Wong Siu Yuk, respectively.

The Board has a balance of skills and various expertise to direct and supervise the business affairs of the Group. The Board undertakes to monitor the performance of the Group's business operation and act in the best interests of the Group as a whole. The management of the Company implements the strategic development and deals with certain operational matters of the Group under the delegation and authority of the Board.

# CORPORATE GOVERNANCE REPORT

During the Year, the Board convened four board meetings and one general meeting. The individual attendance of each Director at these meetings is set out below:

Name of Director	Attendance at board meetings (%)	Attendance at annual general meeting (%)
<b>Executive Directors:</b>		
Mr. Tai Chin Chun ( <i>Chairman</i> )	4/4(100%)	1/1(100%)
Mr. Tai Chin Wen	4/4(100%)	1/1(100%)
Ms. Cheung So Wan	4/4(100%)	1/1(100%)
Ms. Wong Siu Yuk	4/4(100%)	1/1(100%)
Mr. Lei Heong Man	4/4(100%)	1/1(100%)
<b>Independent Non-executive Directors:</b>		
Mr. Ho Gilbert Chi Hang	4/4(100%)	1/1(100%)
Mr. Ting Kay Loong	4/4(100%)	1/1(100%)
Mr. Wu Tak Lung	4/4(100%)	1/1(100%)

In order to enhance an active contribution to the Board's affairs by all Directors, the Chairman has arranged to convene a regular full board meeting at quarterly intervals to review the financial and operating performance of the Group. In addition to the board meetings, the Chairman also had one meeting with independent non-executive Directors without the presence of the executive Directors. To ensure that good corporate governance practices and procedures are established, the Chairman has delegated the company secretary to draw up and approve the agenda for each board meeting. Notice of at least 14 days has been given to all Directors for a regular board meeting and the Directors can give ideas for discussion in advance in the agenda, if necessary. Draft and final minutes of all regular board meetings have been sent to the Directors for comment and records respectively within a reasonable time after the board meeting is held.

During the Year, Directors were provided with monthly updates on the Group's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties. In addition, all Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company updates Directors on the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time, to ensure compliance and enhance their awareness of good corporate governance practices. During the Year, all Directors have attended/participated in seminars and/or in-house workshops which covered topics as follows:

Name of Director	Topic covered
Mr. Tai Chin Chun	Corporate governance
Mr. Tai Chin Wen	Corporate governance
Ms. Cheung So Wan	Corporate governance
Ms. Wong Siu Yuk	Corporate governance
Mr. Lei Heong Man	Corporate governance
Mr. Ho Gilbert Chi Hang	Corporate governance and regulatory updates
Mr. Ting Kay Loong	Corporate governance
Mr. Wu Tak Lung	Directors' duties, Corporate governance, and regulatory updates

# CORPORATE GOVERNANCE REPORT

All Directors are requested to provide the Company with their respective training records pursuant to the Code. The Directors confirmed that they have complied with the code provision C.1.4 of the Code.

The Company has complied with Rules 3.10(1) and (2) and 3.10A of the Listing Rules in that the three independent non-executive Directors represent at least one-third of the Board and at least one of them possesses the requisite appropriate professional accounting qualifications.

The Company has received from each independent non-executive Director an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be independent.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The executive Directors, Mr. Tai Chin Chun and Mr. Tai Chin Wen, serve as the Chairman and the Chief Executive Officer of the Company, respectively.

The roles of the Chairman and the Chief Executive Officer are segregated and not performed by the same individual. The Chairman is primarily responsible for the leadership of the Board and the formulation of overall strategic development of the Group, while the Chief Executive Officer is primarily responsible for the day-to-day management of the Group's business.

## NON-EXECUTIVE DIRECTOR

The term of non-executive Directors is specified for two years subject to retirement by rotation and re-election at annual general meeting under the Company's articles of association.

## COMPANY SECRETARY

The company secretary of the Company is Mr. Chang Man Kwong who has fulfilled the requirement under Rules 3.28 and 3.29 of the Listing Rules. As an employee of the Company, the company secretary ensures good information flow within the Board and compliance with Board policy and procedures, advises the Board on governance matters, facilitates induction and, monitors the training and continuous professional development of Directors.

## REMUNERATION COMMITTEE

The remuneration committee was established in September 2005. Terms of reference adopted and amended with effect from 1 January 2023 by the remuneration committee are of no less exacting terms than those duties set out in the Code and a copy of which is available on the websites of the Stock Exchange and the Company. The remuneration committee comprises three independent non-executive Directors, namely Mr. Ting Kay Loong (Chairman), Mr. Ho Gilbert Chi Hang and Mr. Wu Tak Lung and two executive Directors, namely Mr. Tai Chin Chun and Mr. Tai Chin Wen. The remuneration committee is primarily responsible for, among other matters, reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management of the Company and reviewing and approving matters relating to share schemes under Chapter 17 of the Listing Rules.

# CORPORATE GOVERNANCE REPORT

During the Year, the remuneration committee convened one meeting and the individual attendance of each committee member is set out below:

<b>Name of Director</b>	<b>Attendance</b>	<b>(%)</b>
<b>Independent Non-executive Directors:</b>		
Mr. Ting Kay Loong ( <i>Chairman</i> )	1/1	100
Mr. Ho Gilbert Chi Hang	1/1	100
Mr. Wu Tak Lung	1/1	100
<b>Executive Directors:</b>		
Mr. Tai Chin Chun	1/1	100
Mr. Tai Chin Wen	1/1	100

The remuneration committee meeting was held to review and recommend the salary revision for executive Directors. As no Director or any of his/her associate should be involved in deciding his/her own remuneration in compliance with the principle of the Code, the relevant Directors had abstained from voting on their respective resolutions in which they were materially interested. Remuneration payable to senior management (excluding Directors) for the Year within the band of below HK\$2,000,000 comprises 7 individuals. Details of the remuneration of the Directors for the Year are shown in note 8 to the financial statements. No material matters relating to share schemes under Chapter 17 of the Listing Rules were required to be reviewed or approved by the remuneration committee during the year.

## NOMINATION COMMITTEE

The nomination committee was established in September 2005. Terms of reference adopted by the nomination committee are of no less exacting terms than those duties set out in the Code and a copy of which is available on the websites of the Stock Exchange and the Company. The nomination committee comprises three independent non-executive Directors, namely Mr. Ho Gilbert Chi Hang (*Chairman*), Mr. Ting Kay Loong and Mr. Wu Tak Lung and two executive Directors, namely Mr. Tai Chin Chun and Mr. Tai Chin Wen. The nomination committee is primarily responsible for, among other matters, reviewing and making recommendations to the Board on the selection of Board members to ensure that the Board has an appropriate balance of independent Directors, with a mix of business experience in relevant disciplines.

During the Year, the nomination committee convened one meeting and the individual attendance of each committee member is set out below:

<b>Name of Director</b>	<b>Attendance</b>	<b>(%)</b>
<b>Independent Non-executive Directors:</b>		
Mr. Ho Gilbert Chi Hang ( <i>Chairman</i> )	1/1	100
Mr. Ting Kay Loong	1/1	100
Mr. Wu Tak Lung	1/1	100
<b>Executive Directors:</b>		
Mr. Tai Chin Chun	1/1	100
Mr. Tai Chin Wen	1/1	100

# CORPORATE GOVERNANCE REPORT

The nomination committee meeting was held to review the structure, size, diversity and composition of the Board and assess the independence of independent non-executive Directors. According to the board diversity policy adopted by the nomination committee, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service etc. The nomination policy of the Company requires that all Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service etc. The final decision will be based on merit and contribution that the selected candidates will bring to the Board. During the Year under review, the nomination committee concluded that the current Board comprises a sufficient number of Directors and is well balanced with each Director having sound knowledge, experience and/or expertise relevant to the business operations and development of the Group.

Currently, our Board has two (2) female Directors out of eight (8) Directors, representing a ratio of 25% female Directors to 75% male Directors. The nomination committee monitors the implementation of the board diversity policy and the progress on achieving those measurable objectives and will review the board diversity policy on a regular basis to ensure its continuing effectiveness.

## MECHANISM TO ENSURE INDEPENDENT VIEWS FROM DIRECTORS

To ensure independent views and input from any Director, the following mechanism is established by the Board:

### 1. Independence Assessment

Each of the independent non-executive Directors shall provide a written annual confirmation of independence to the Company on their compliance with the independence requirements as set out under Rule 3.13 of the Listing Rules. The nomination committee shall assess the independence of independent non-executive Directors upon appointment and annually to ensure they can continually exercise independent judgement.

### 2. Composition of Board

Currently, 62.5% of the Board members are executive Directors while 37.5% of the Board members are independent non-executive Directors, which exceeds the requirement of the Listing Rules that at least one-third of the Board are independent non-executive Directors.

### 3. Board Proceedings and Decision Making

At least 14 days' formal notice of regular Board and Board Committee Meetings will be given to all Directors, and all Directors are invited to include any matters for discussion in the agenda. By at least three business days in advance of every regular Board and Board committee meeting, Directors are provided with the meeting agenda and the relevant board papers containing complete, adequate and timely information to enable full deliberation on the issues to be considered at the respective meetings.

All Directors are required to declare their direct/indirect interests, if any, in any business proposals to be considered at the meetings and, where appropriate, they are required to abstain from voting on any Board resolution concerned.

Independent non-executive Directors should attend all regular meetings of the Board and Board committees on which they serve. They should also attend general meetings of the Company to acquire understanding of the views of the shareholders.

# CORPORATE GOVERNANCE REPORT

## 4. Remuneration of Independent non-executive Directors

Independent non-executive Directors receive fixed fee(s) for their role as members of the Board and Board committees and no equity-based or incentive based compensation program is granted to independent non-executive Directors as this may lead to bias in their decision-making and compromise their objectivity and independence.

## 5. Access to Professional Advice and Up-to-date Information

The Company Secretary provided induction pack and orientation program for all new recruits to the Board. Such program would familiarise the newly appointed Director with the nature of the business, the corporation's strategy, the internal control and corporate governance practices and policies, and directors' duties and responsibilities. Subsequent information packages are regularly provided to the Directors to keep them abreast of their responsibilities and infuse them with new knowledge relevant to the Group's current business and operating environment.

To facilitate proper discharge of Directors' duties and responsibilities, all Directors (including independent non-executive Directors) are entitled to seek advice from the Company Secretary as well as from independent professional advisers at the expense of the Company.

## 6. Independent Views and Inputs Treasured and Valued

During the Board and Board committee meetings, the independent non-executive Directors are encouraged to express freely their independent views and inputs in an open and candid manner. The Chairman also encourages questions and challenges from Directors, in particular independent non-executive Directors and their comments and concerns are closely followed up by the management.

In addition to Board meetings, the Chairman schedules a meeting annually with independent non-executive Directors without the presence of other Directors to discuss the affairs of the Group.

The Company Secretary is required to prepare minutes that record not only the decision reached but any concerns raised or dissenting views expressed by Directors. Draft versions of the minutes are circulated to all Directors for their comment and confirmation before it is finalised for records. Minutes of all Board and Board committee meetings are available for Directors' inspection.

The implementation and effectiveness of the above mechanisms have been reviewed by the Boards on an annual basis and the Board believe these measures would allow Directors to contribute effectively and independent views and input are available to the Boards and Board committees.

## RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of consolidated financial statements for each financial period to ensure such consolidated financial statements give a true and fair view of the consolidated financial position of the Group and of the consolidated financial performance and consolidated cash flows for that period. The Group's consolidated financial statements are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgment and estimates made are reasonable.

# CORPORATE GOVERNANCE REPORT

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

## AUDITOR'S REMUNERATION

For the Year, Ernst & Young, as the external auditor of the Company, has provided audit and non-audit services to the Group at the fees of approximately HK\$3.6 million and HK\$0.5 million, respectively. The responsibilities of the external auditor of the Company are set out in the "Independent Auditor's Report" on pages 37 to 41 of this report.

## AUDIT COMMITTEE

The audit committee was established in August 2004. Terms of reference adopted by the audit committee are of no less exacting terms than those duties set out in the Code and a copy of which is available on the websites of the Stock Exchange and the Company. The audit committee of the Company comprises all three independent non-executive Directors, namely, Mr. Wu Tak Lung (as Chairman), Mr. Ho Gilbert Chi Hang and Mr. Ting Kay Loong. The main responsibilities of the audit committee include the following:

- assists the Board in discharging its statutory responsibilities on financial and accounting matters;
- reviews and monitors the effectiveness of the audit process in accordance with applicable standard;
- develops and implements policy on the engagement of external auditor;
- reviews the Company's financial controls, internal control and risk management systems; and
- develops and reviews the Company's policies and practices on corporate governance and make recommendations to the Board.

During the Year, the audit committee convened three meetings and the individual attendance of each committee member is set out below:

<b>Name of Director</b>	<b>Attendance</b>	<b>(%)</b>
<b>Independent Non-executive Directors:</b>		
Mr. Wu Tak Lung ( <i>Chairman</i> )	3/3	100
Mr. Ting Kay Loong	3/3	100
Mr. Ho Gilbert Chi Hang	3/3	100

The audit committee meetings were held to discuss with the management for the accounting policies, internal control and risk management systems adopted by the Group, as well as to review the interim and annual financial statements of the Group before recommending them to the Board for adoption and approval. In addition, the audit committee had meeting with the external auditor twice. It has also reviewed the Company's compliance with the Code.

The audit committee also made recommendation to the Board on the re-appointment of the external auditor. The Board has not taken a different view from that of the audit committee regarding the selection, appointment, resignation or dismissal of the external auditor.

# CORPORATE GOVERNANCE REPORT

## INTERNAL CONTROL

The Board is responsible for maintaining an adequate internal control system to safeguard shareholder investments and Company assets, overseeing and reviewing the effectiveness of the same on an ongoing basis.

The Group has an independent internal audit department which is primarily responsible for carrying out review of the internal control system and risk management process. This is part of the on-going process to ensure that the effectiveness of material controls is monitored.

During the Year, the Board has conducted a review of the effectiveness of the internal control system of the Group covering all material controls, including financial, operational and compliance controls as well as risk management functions as required by the Code. The audit committee has also reviewed the internal control system of the Group and the findings of major investigations of internal control matters. The Group implements budget management with an aim to better monitor both business and financial performance. There was no significant incidence of failure in connection with financial, operational and compliance control during the Year under review. The Board considered that the internal control system is effective and adequate and that there are adequate staff with appropriate qualifications and experience, resources and budget of its accounting and financial reporting function, and adequate training programmes have been provided.

The Company has implemented a system of internal controls to provide reasonable assurance that assets are safeguarded, proper accounting records are maintained, appropriate legislation and regulations are complied with, reliable financial information are provided for management and publication purposes, investment and business risks are identified and managed, the Board will continue to review procedures implemented for assessing the effectiveness of the internal control system.

With respect to the internal control for the handling and dissemination of inside information, the Board is fully aware of its obligations under Part XIVA of the Securities and Futures Ordinance and the Listing Rules. The Group has adopted a policy on disclosure of inside information with the aim to ensure that the insiders abide by the confidentiality requirement and are in compliance with the Securities and Futures Ordinance and the Listing Rules in the handling and dissemination of inside information.

## RISK MANAGEMENT

The Board is responsible for the establishment, maintenance of an adequate and effective risk management system of the Group and for overseeing and reviewing its design, operation and effectiveness on an ongoing basis. The risk management system, together with the internal control, ensure the risk associated with the different business units and operations of the Group are effectively monitored and controlled. Such system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives.

Various policies and procedures have been implemented, to ensure effective risk management of each aspect of the Group's operation, including site inspection, administration, daily operation, financial reporting and recording, fund management, compliance with applicable laws and regulations on relevant areas such as environmental protection and workplace safety.

The review of the risk management system by the Board consists of the following aspects: (i) review of reports by operations or departments and the management regarding the implementation of the risk management system, identifying and assessing principal risks within its operations or departments and establishing mitigation plans to manage the risks identified; (ii) discussions with the management regarding the effectiveness of the risk management system, ensuring principal risks are properly managed, and new or changing risks are identified, documented and reported to the Board; and (iii) evaluation on the scope and quality of the monitoring procedures of the risk management system.

# CORPORATE GOVERNANCE REPORT

During the Year, the Board has reviewed the risk management system and was not aware of any significant risk management issues that would have an adverse impact on the financial position or operations of the Group, and through the review of the independent internal audit department, considered the risk management system of the Group is effective and adequate.

## DIVIDEND POLICY

The Company has adopted a policy which sets out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its net profits as dividends to the shareholders of the Company. In recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder value. There is no pre-determined dividend payout ratio and the declaration and distribution of dividends shall be determined at the sole discretion of the Board taking into account, among others, the financial results, cash flow situation, future operations, capital requirements and any other factors that the Board may consider relevant. The declaration and distribution of dividends shall also be subject to the articles of the association of the Company and all applicable laws and regulations. The Board will review the policy from time to time and make relevant amendments as necessary.

## CONSTITUTIONAL DOCUMENTS

With effect from 1 January 2022, the Listing Rules have been amended which requires, among others, listed issuers to adopt a uniform set of 14 “Core Standards” for shareholder protections for issuers set out in Appendix A1 of the Listing Rules. As such, the Board adopted the second amended and restated memorandum and articles of association (the “New M&A”) of the Company in order to (i) bring the relevant provisions in line with the amendments made to the Listing Rules and the applicable laws and procedures of the Cayman Islands; (ii) expressly permit a general meeting of the Company to be held as, in addition to a physical meeting, an electronic meeting or a hybrid meeting where the Shareholders may attend the general meeting remotely through electronic means in addition to physical attendance in person; and (iii) make other consequential and housekeeping changes.

The Proposed Amendments and the adoption of the New M&A was approved by the Shareholders at the annual general meeting of the Company on 5 June 2023, and will become effective upon the approval by the Shareholders at the annual general meeting. A consolidated version of the New M&A is available on the websites of the Company and the Stock Exchange.

## INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Company has adopted a shareholders’ communication policy and establishes different communication channels with shareholders and investors, including (i) dispatching printed copies of corporate communication documents to shareholders; (ii) using the annual general meeting as a forum for shareholders to raise comments and exchange views with the Board; (iii) setting up regular press conferences and meetings with investors and analysts from time to time to introduce and release information of the Group; (iv) engaging the Company’s share registrars to serve the shareholders on all share registration matters; and (v) maintaining a corporate website at [www.kamhingintl.com](http://www.kamhingintl.com), at which, comprehensive information, updates on the Company’s business development and operations are provided.

During the year, the Company has reviewed the implementation and effectiveness of the shareholders’ communication policy through discussions amongst Board members during board meetings. The Company has reviewed communication activities and engagement with Shareholders conducted in 2023 and was satisfied with the implementation and effectiveness of the shareholders’ communication policy which allowed Shareholders to engage actively with the Company.

# CORPORATE GOVERNANCE REPORT

## SHAREHOLDERS' RIGHTS

In accordance with the article 58 of the articles of association of the Company, one or more shareholders of the Company holding at the date of deposit of the requisition not less than one-tenth of the voting rights at general meetings, on a one vote per share basis, in the share capital of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business or resolution specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Board shall be reimbursed to the requisitionists by the Company.

Shareholders may by ordinary resolution elect any person to be a Director. If a shareholder wishes to nominate a person to be elected as a Director, the following documents must be validly served to the Company at the Company's principal place of business in Hong Kong at 23A, TML Tower, No. 3 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong: (i) his/her notice of intention to propose a resolution at the general meeting; and (ii) a notice executed by the nominated candidate of his/her willingness to be appointed together with his/her information as required to be disclosed under Rule 13.51(2) of the Listing Rules, within the period commencing on the day after the dispatch of the notice of the general meeting appointed for such election and ending on the date falling seven days after the dispatch of the said notice of the general meeting.

A shareholders' communication policy (the "Policy") was adopted by the Company to maintain an on-going dialogue with shareholders and encourage them to communicate actively with the Company and the Board will review the Policy on a regular basis to ensure its effectiveness. The Policy helps to ensure ready, equal and timely access to information about the Company for the Shareholders, and, in appropriate circumstances, the investment community at large, so that the Shareholders and stakeholders are able to exercise their rights in an informed manner, and to allow Shareholders and the investment community to engage actively with the Company.

Shareholders should direct their questions about their shareholdings to the Company's Hong Kong branch share registrar: Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

Other enquiries or comments raised by any shareholder can be mailed to the Board at the Company's principal place of business in Hong Kong at 23A, TML Tower, No. 3 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong, through the Company's official website ([www.kamhingintl.com](http://www.kamhingintl.com)), or sent through fax number at (852) 2408 1891, or by using the Company's telephone hotline at (852) 2406 0080.

## CORPORATE PURPOSE, STRATEGY AND CORPORATE CULTURE

The Board defines the purpose, values and strategy of the Company and considers that the Company's corporate culture is aligned. The Group is committed to investing in the textile and garment industry, creating value for consumers, and to delivering attractive and sustainable returns to the Shareholders. Despite the ever-changing operating environment, the Group places strong emphasis on workplace safety, employee relations and the efficient use of materials, energy and resources, promoting a culture of ethical conduct and integrity. A healthy corporate culture is important to good corporate governance which is crucial for achieving sustainable long-term success of the Group.

# CORPORATE GOVERNANCE REPORT

## WHISTLEBLOWING POLICY

The Company is committed to achieving and maintaining the highest standards of openness, probity and accountability. We encourage reporting of concerns and actual or suspected misconduct or malpractice or unethical acts (e.g. corruption) by any of our staff and/or external parties in any matter related to the Group.

The Group has established a whistleblowing policy which aims to enable the Company's employees and those who deal with the Company to raise concerns, in confidence and anonymity, with the audit committee about possible improprieties in matters related to the Company, in order to help detect and deter misconduct or malpractice or unethical acts in the Company.

## ANTI-CORRUPTION POLICY

The Company takes a zero-tolerance approach towards all forms of bribery and corruption and is committed to observing and upholding high standards of business integrity, honesty, fairness, impartiality and transparency in all its business dealings at all times. We strictly prohibit any form of fraud or bribery, and are committed to prevention, deterrence, detection, reporting and investigation of all forms of fraud and bribery.

The Group has established an anti-corruption policy which sets out the basic standard of conduct which applies to all directors, officers and employees of the Company and its wholly owned subsidiaries. It also provides guidance to all employees on acceptance of advantage and handling of conflict of interest when dealing with the Company's business. The Company also encourages and expects our business partners including suppliers, contractors and clients to abide by the principles of the policy.

## ESG-RELATED MATTERS

The Company adheres to improving internal sustainability governance, strengthening the management and control of corporate development's impact on the environment and society, and creating value for our stakeholders. The Board has overall responsibility for the Company's ESG strategy and reporting, and oversees the overall ESG governance of the Company. In particular, the Board conducts a regular review of the Group's ESG-related matters and considered, among others, (i) the adequacy of resource, staff qualification and experience, training programmes and budget of those relating to Group's ESG performance and reporting; (ii) the changes, since the last annual review, in the nature and extent of significant ESG risks (if any); and (iii) the scope and quality of management's ongoing monitoring of ESG risks. For further details, please refer to the Company's Environmental, Social and Governance Report.

# PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

## BOARD OF DIRECTORS

### Executive Directors

**Mr. Tai Chin Chun (戴錦春)**, aged 62, is the Chairman of the Board, an executive Director, a director of most subsidiaries of the Company and co-founder of the Group. He is also a member of the remuneration committee and nomination committee of the Company. Mr. Tai is in charge of the Group's corporate strategy, planning and overall development. He has more than 30 years of experience in the textile industry, in which he served more than 25 years for the Group. Mr. Tai obtained the "World Outstanding Chinese Award 2008" from United World Chinese Association and conferred an Honorary Doctor Degree by The University of West Alabama (Regional University), USA. Mr. Tai is an executive director of Guangdong Chamber of Foreign Investors (廣東外商公會常務理事). He has also been awarded honorary citizenship of Guangzhou Municipal (廣州市榮譽市民), honorary life president of the Nam An (Hong Kong) Association and Fujian Tai's Clan Hong Kong Association (香港南安公會永遠名譽會長、福建旅港戴氏宗親會永遠榮譽會長). Mr. Tai conferred an Honorary Consulate of The Republic of Mauritius in Hong Kong Special Administration Region ("HKSAR") from January 2010 to June 2022, and was a member of the tenth to twelfth Guangdong Provisional Committee of CPPCC (中國人民政治協商會議廣東省委員會第十至十二屆委員). Mr. Tai is the younger brother of Mr. Tai Chin Wen and the spouse of Ms. Cheung So Wan.

**Mr. Tai Chin Wen (戴錦文)**, aged 68, is an executive Director, the Chief Executive Officer, a director of most subsidiaries of the Company and co-founder of the Group. He is also a member of the remuneration committee and nomination committee of the Company. Mr. Tai is in charge of the Group's operations management. He has over 30 years of management experience in the manufacturing industry, in which he served more than 25 years for the Group. Mr. Tai is a vice chairman of Hubei Chinese Overseas Friendship Association (湖北省海外聯誼會副會長), executive chairman of Guangdong Jiangmen City Association of Foreign Investment (廣東省江門市外商投資協會執行會長), honorary life chairman of World of Dai Clan Governing Council (世界戴氏宗親總會永遠榮譽理事長) and honorary life president of Fujian Tai's Clan Hong Kong Association (福建旅港戴氏宗親會永遠榮譽會長). He has also been awarded honorary citizenship of Guangzhou Municipal and Jiangmen (廣州市榮譽市民及江門市榮譽市民), honorary life chairman of Hong Kong Federation of Fujian Association (香港福建社團聯會永遠名譽主席), managing vice president of Federation of Hong Kong Hubei Associations (香港湖北社團總會常務副會長) and honorary life president of the Nam An (Hong Kong) Association (香港南安公會永遠名譽會長). Mr. Tai was a standing member of the eleventh to thirteenth Hubei Committee of CPPCC (中國人民政治協商會議湖北省委員會第十一至十三屆委員). Mr. Tai is the elder brother of Mr. Tai Chin Chun and the spouse of Ms. Wong Siu Yuk.

**Ms. Cheung So Wan (張素雲)**, aged 60, is an executive Director and the Chief Operating Officer. She is also a director of some subsidiaries of the Group. She is in charge of the Group's day to day management, including sales and marketing, yarn sourcing, quality control, stock control, systematic and digital management in the Group, and assists in the overall management of the Group. Ms. Cheung joined the Group in November 1996 and has more than 20 years of experience in the textile industry. Ms. Cheung is the spouse of Mr. Tai Chin Chun.

**Ms. Wong Siu Yuk (黃少玉)**, aged 62, is an executive Director. She is also a director of some subsidiaries of the Group. She is responsible for dyeing material sourcing, quality control and stock control in the Group, and assists in the overall management of the Group. Ms. Wong joined the Group in December 1996 and has more than 20 years of experience in the textile industry. Ms. Wong is the spouse of Mr. Tai Chin Wen.

# PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. Lei Heong Man (李向民)**, aged 63, is an executive Director. He is the chief financial officer and is responsible for the supervision and management of the Group in Finance, IT & Human Resource matters. Mr. Lei has over 30 years of experience in regional financial and operational management in multinational corporations and listed companies, and is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Lei holds a Bachelor Degree in Accountancy, Finance and Economics from the University of Essex, and a Master of Business Administration Degree from The University of Wales, the United Kingdom. Mr. Lei joined the Group in June 2009.

## Independent Non-Executive Directors

**Mr. Ho Gilbert Chi Hang (何智恒)**, aged 47, is a member and the chairman of the nomination committee, and a member of the remuneration committee and audit committee of the Company. Mr. Ho holds a Bachelor of Commerce Degree and a Bachelor of Laws Degree from the University of Sydney, Australia and was admitted as a solicitor admitted in New South Wales, Australia and England and Wales and a solicitor and barrister admitted in the High Court of Australia. Mr. Ho is also a fellow member of CPA Australia.

Mr. Ho is a member of the Hong Kong Logistics Development Council (香港物流發展局), a committee member of the General Committee of the Chamber of Hong Kong Listed Companies (香港上市公司商會常務委員會), the deputy Chairperson of CPA Australia Greater Bay Area Committee (澳洲會計師公會大灣區委員會), a member of the China Committee of Hong Kong General Chamber of Commerce (香港總商會中國委員會), a member of the HKUST Business School Career Development Advisory Council (香港科技大學商學院職業發展顧問委員會), a standing committee member of the Youth Federation of Inner Mongolia (內蒙古自治區青年聯合會) and a vice chairman of Inner Mongolia & Hong Kong Youth Exchange Association (蒙港青年交流促進會). Mr. Ho was a committee member of Industry Advisory Committee of Insurance Authority (保險業監管局業界諮詢委員會) from June 2020 to May 2022 and a committee member of the Chinese People's Political Consultative Conference of Shenyang (中國人民政治協商會議瀋陽市委員會) from December 2007 to December 2021.

Mr. Ho currently serves as an executive director and co-chief executive officer of NWS Holdings Limited (stock code: 0659), an independent non-executive director of Asia Allied Infrastructure Holdings Limited (stock code: 0711), and a non-executive director of each of Wai Kee Holdings Limited (stock code: 0610) and Shoucheng Holdings Limited (formerly known as Shougang Concord International Enterprises Company Limited (stock code: 0697)), all of the above-mentioned companies are listed companies in Hong Kong. He joined the Group on 4 May 2010.

**Mr. Ting Kay Loong (丁基龍)**, aged 62, is a member and chairman of the remuneration committee, and a member of the audit committee and nomination committee of the Company. He holds a Bachelor of Economics Degree from Macquarie University, Australia and is a fellow member of the Australian Society of Certified Public Accountants. Mr. Ting has over 25 years of experience in financial services industry. He had worked for Shenwan Hongyuan Capital (H.K.) Limited (formerly known as Shenyin Wanguo Capital (H.K.) Limited), Haitong International Capital Limited (formerly known as Tai Fook Capital Limited) and several listed companies in Hong Kong. Mr. Ting joined the Group on 14 July 2017.

# PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. Wu Tak Lung (吳德龍)**, aged 58, is a member and chairman of the audit committee, and a member of nomination committee and remuneration committee of the Company. He holds a bachelor's degree of business administration in accounting from the Hong Kong Baptist University and a master's degree of business administration jointly issued by the University of Manchester and the University of Wales. Additionally, he has acquired the ESG Reporting Certification Course Certificate issued by the Hong Kong Chartered Governance Institute. He is an Accounting Expert of the Ministry of Finance of The State Council of the PRC. Also, he is a member of Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants, the Taxation Institute of Hong Kong, the Hong Kong Chartered Governance Institute and the senior fellow member of Hong Kong Securities and Investment Institute. He had worked in Deloitte Touche Tohmatsu, an international accounting firm, for five years and was then employed by several companies in Hong Kong as head of corporate finance and/or executive director. Mr. Wu joined the Group on 1 December 2016.

Mr. Wu serves as an independent non-executive director of each of Henan Jinma Energy Company Limited (stock code: 6885), Sinopharm Group Co., Ltd. (stock code: 1099), Zhongguancun Science-Tech Leasing Co., Ltd. (stock code: 1601), all are listed companies in Hong Kong.

Moreover, he was an independent non-executive director of Minth Group Limited (stock code: 425), Sinomax Group Limited (stock code : 1418), companies listed on the Main Board of the Stock Exchange and China Machinery Engineering Corporation (stock code: 1829). Certain members and former members of the board of Beijing Media Corporation Limited are subject to certain disciplinary actions taken by the Stock Exchange, details of which in respect of Mr. Wu are set out in the Company's announcement dated 15 February 2022.

## Senior Management

**Mr. Wong Yi Ming (黃一鳴)**, aged 59, is the general manager of operations of Guangzhou Kamhing Textile Dyeing Co., Ltd. (the "Guangzhou KH"), a wholly-owned subsidiary of the Group, and is responsible for the overall management and administration of Guangzhou KH. Mr. Wong obtained a Master Degree of Business Administration from the Zhongshan University. He has over 25 years of management experience in the textile industry. Prior to joining the Group in September 1997, Mr. Wong has worked for PRC companies for over 16 years, where he was responsible for financial and business management. Mr. Wong is the younger brother of Ms. Wong Siu Yuk.

**Mr. Ho Yi Piu (何宜標)**, aged 55, is the director of Kam Hing Piece Works (S) Pte Limited, a wholly-owned subsidiary of the Group. Mr. Ho is the general manager of sales and marketing. Mr. Ho obtained a Diploma in Business Administration from the Society of Business Practitioners, Cheshire, the United Kingdom. Prior to joining the Group in June 1999, Mr. Ho has worked for fabric trading companies and he has over 15 years of experience in the textile industry. Mr. Ho is the son-in-law of the brother of Mr. Tai Chin Chun and Mr. Tai Chin Wen.

**Mr. Tai Tang Tat (戴騰達)**, aged 43, is the general manager of production operations, sales and marketing operations of Guangzhou Kam Hing Textile Dyeing Co., a wholly-owned subsidiary of the Group, and a director of some subsidiaries of the Group. Mr. Tai obtained a Diploma in Computer Science from the Sydney Institute of Business and Technology, Australia. Mr. Tai is the son of Mr. Tai Chin Wen and Ms. Wong Siu Yuk. Mr. Tai joined the Group in March 2002.

**Mr. Chan Kin Wang (陳建宏)**, aged 60, is the general manager of production and operations of En Ping Kam Hing Textile & Dyeing Co., Ltd, a wholly-owned subsidiary of the Group. Mr. Chan has over 30 years of experience in the textile industry. Mr. Chan joined the Group in December 2008.

## PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. Ang Leong Aik (翁兩益)**, age 51, is the executive director and chief executive officer of the Garment Sector, responsible for execution overall corporate strategies and operations, setting up the development policies within the Garment group. Mr. Ang has over 15 years of experience in apparel industry gained from a multinational apparel company. Mr. Ang holds a Bachelor degree in Electrical Engineering from the University of Sheffield. Mr. Ang joined the Group in April 2017.

**Mr. Ng Choo Chun (黃初俊)**, age 52, is the executive director and chief production officer and is responsible for overseeing all productions and operations activities of Garment sector. Mr. Ng has over 25 years of experience in multinational garment productions, factory management, manpower training and cost control in Apparel Industry. Mr. Ng joined the Group in April 2017.

**Ms. Tai Hiu Shan (戴曉珊)**, aged 36, is the vice president of Kam Wang (Hong Kong) Garment Co. Ltd., a wholly-owned subsidiary of the Group, and key member of overseas investment team in fabric and garment. Ms. Tai holds a Bachelor Degree in Management with Marketing from the Royal Holloway, University of London in United Kingdom. Ms. Tai is the daughter of Mr. Tai Chin Wen and Ms. Wong Siu Yuk. Ms. Tai joined the Group in May 2012.

# REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements of the Group for the year ended 31 December 2023.

## PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 37 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the Year.

A review of the business of the Group during the Year and a discussion on the Group's future business development are provided in the Chairman's Statement on pages 5 to 7 and the Management Discussion and Analysis on pages 8 to 13 of this report. Description of possible risks and uncertainties that the Group may be facing can be found in the Management Discussion and Analysis on pages 8 to 13. Also, the financial risk management objectives and policies of the Group are provided in the Management Discussion and Analysis on pages 8 to 13 and also in note 35 to the financial statements. An analysis of the Group's performance during the Year using financial key performance indicators is provided in the Financial Highlights and Summary and Five-year Financial Summary on pages 3 to 4 and 124 respectively of this report. These discussions form part of this Directors' report.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group recognises the importance of environmental protection and has adopted stringent measures for environmental protection in order to ensure our compliance to the prevailing environmental protection laws and regulations.

During the Year and up to the date of this report, the Group does not have any violation of relevant environmental regulations and rules which have a significant impact to the Group's development, performance and businesses.

The environmental, social and governance report will be published in a separate report to be uploaded on the websites of the Company and the Stock Exchange.

## COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Year under review and as at the date of this annual report, the management is of the view that the Company was not aware of any material breach of or non-compliance with any relevant laws and regulations that had a significant impact on the business and operations of our Group.

## KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

In order to sustain a stable development of the Group, we understand that a good and close relationship with employees, customers and suppliers is one of the key factors to achieve it.

The Group provides a competitive remuneration package and career development opportunities to our employees. We also maintain a safe and healthy working environment.

The Group provides quality products and handle customer needs carefully. In order to meet customer expectations, we ensure there is adequate communication and offer customers with different solutions. We are committed to using our best effort to maintain long term relationships with customers.

The Group has developed good and long-term relationships with our suppliers to maintain steady supplies with good qualities. We proactively communicate with our suppliers and perform regular quality control to ensure the quality of supplies.

# REPORT OF THE DIRECTORS

## RESULTS AND DIVIDENDS

The Group's results for the Year and the financial position of the Group at that date are set out in the financial statements on pages 42 to 123.

The Directors did not recommend the payment of a final dividend for the Year (2022: Nil).

## SUMMARY FINANCIAL INFORMATION

A summary of the results and assets, liabilities and non-controlling interests of the Group for the last five financial years, is set out on page 124. That summary does not form part of the audited financial statements.

## SHARE CAPITAL AND SHARE OPTIONS

There were no movements in the Company's share capital and share options during the Year.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders of the Company.

## 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 Year.

## DISTRIBUTABLE RESERVES

As at 31 December 2023, the Company's reserves available for distribution, calculated in accordance with the Companies Act, Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands, amounting to HK\$1,047,214,000. The amount of HK\$1,047,214,000 includes the Company's share premium account and capital reserve of HK\$848,112,000 in aggregate as at 31 December 2023, which may be distributed provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be able to pay off its debts as and when they fall due in the ordinary course of business.

## CHARITABLE CONTRIBUTIONS

During the Year, the Group made charitable contributions totalling HK\$799,000.

# REPORT OF THE DIRECTORS

## MAJOR CUSTOMERS AND SUPPLIERS

During the Year, sales to the Group's five largest customers accounted for 36.1% (2022: 31.7%) of the total sales and sales to the largest customer included therein accounted for 14.4% (2022: 9.4%). Purchases from the Group's five largest suppliers accounted for 38.5% (2022: 42.8%) of the total purchases for the Year and purchases from the largest supplier included therein accounted for 10.1% (2022: 14.3%).

None of the Directors, their respective close associates (as defined in the Listing Rules) or shareholders of the Company (which to the knowledge of the Directors) who own more than five percent of the issued capital of the Company, had any interest in the Group's five largest customers and/or suppliers during the Year.

## DIRECTORS

The Directors during the Year and as at the date of this report were:

### Executive Directors:

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

### Independent non-executive Directors:

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

In accordance with article 87(1) of the Company's articles of association, Mr. Tai Chin Wen, Ms. Wong Siu Yuk and Mr. Wu Tak Lung will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

The Company has received annual confirmations of independence from Mr. Ho Gilbert Chi Hang, Mr. Ting Kay Loong and Mr. Wu Tak Lung, and considers them to be independent.

## DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 25 to 28 of the annual report.

# REPORT OF THE DIRECTORS

## DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors and the independent non-executive Directors has a service contract with the Company for a term of one or three years and two years, respectively and is subject to termination by either party by giving not less than three or six months' and one month's written notice, respectively.

Under the service contracts, after each complete year of service, each of the executive Directors may, subject to the discretion of the Board, be entitled to discretionary bonuses, with reference to their duties and responsibilities with the Company, their performance against corporate goals and objectives, the remuneration standard in the market and salaries paid by the comparable companies.

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

## EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

The Directors' remuneration is subject to shareholders' approval at general meetings with reference to the recommendation of the Company's remuneration committee. The Group's emolument policies are formulated based on the performance of individual employees and are reviewed regularly. Subject to the Group's profitability, the Group may also provide a discretionary bonus to its employees as an incentive for their contribution to the Group. The primary goal of the remuneration policy with regard to the remuneration packages of the Group's executive Directors is to enable the Group to retain and motivate executive Directors by linking their compensation with performance as measured against corporate objectives achieved.

The principal elements of the Group's remuneration packages include basic salaries, discretionary bonuses, housing benefits and share option benefits.

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the related party transactions disclosures in note 31 to the financial statements, no Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company or any of its subsidiaries was a party subsisting during or at the end of the Year.

## EQUITY FUND RAISING ACTIVITIES

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

## DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors or any of their respective associates had any interest in a business which competes or is likely to compete, either directly or indirectly, with any of the businesses of the Group.

## TAX RELIEF

The Company is not aware of any relief from taxation available to shareholders by reason of their holding of the Company's shares.

# REPORT OF THE DIRECTORS

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2023, 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"), were as follows:

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

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

Notes:

- 332,600,000 shares are held by Exceed Standard Limited ("Exceed Standard"), a company incorporated in the British Virgin Islands (the "BVI") and beneficially owned by Mr. Tai Chin Chun, the chairman and an executive Director. As Ms. Cheung So Wan is his spouse, Mr. Tai Chin Chun is deemed to be interested in the 1,000,000 shares held by Ms. Cheung So Wan under the SFO.
- 96,000,000 shares are held by Power Strategy Limited ("Power Strategy"), a company incorporated in the BVI and beneficially owned by Mr. Tai Chin Wen. 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.
- Ms. Cheung So Wan is deemed to be interested in the shares held by her spouse, Mr. Tai Chin Chun, under the SFO.
- 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 31 December 2023, 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.

# REPORT OF THE DIRECTORS

## PERMITTED INDEMNITY PROVISION

Pursuant to the articles of association of the Company, every Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director or other officer of the Company in defending any proceedings, whether civil or criminal, in which judgement is given in his favor, or in which he is acquitted.

The Company has maintained Directors' liability insurance during the year ended 31 December 2023 and up to the date of this annual report which provides appropriate cover for the Directors.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section "Directors' interests and short positions in shares and underlying shares" above, at no time during the Year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

## MANAGEMENT CONTRACT

No contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the Year.

## SHARE OPTION SCHEME

During the Year, no share options had been granted under the share option scheme and there was no outstanding share option as at 1 January 2023 and 31 December 2023. The number of options available for grant under the scheme mandate at the beginning and the end of the Year is 86,991,900. Details of the share option scheme are further set out in note 28 to the financial statements.

## CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from Wednesday, 29 May 2024 to Monday, 3 June 2024, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the annual general meeting, unregistered holders of shares of the Company should ensure that all transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 28 May 2024.

# REPORT OF THE DIRECTORS

## RELATED PARTY TRANSACTIONS

Related party transactions entered into by the Group during the Year are set out in note 31 to the financial statements. Except for transactions with an associate, these related party transactions are connected transactions as defined under the Listing Rules but are fully exempted from disclosure under the Listing Rules.

## 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 31 December 2023, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

### Long positions:

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 31 December 2023, 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" above, had an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register pursuant to section 336 of the SFO.



# REPORT OF THE DIRECTORS

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

## **AUDITOR**

The Company's auditor, Ernst & Young shall retire in the forthcoming annual general meeting of the Company. A resolution for their reappointment as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

ON BEHALF OF THE BOARD

**Tai Chin Chun**

*Chairman*

Hong Kong

26 March 2024

# INDEPENDENT AUDITOR'S REPORT



**To the shareholders of Kam Hing International Holdings Limited**  
*(Incorporated in the Cayman Islands with limited liability)*

## OPINION

We have audited the consolidated financial statements of Kam Hing International Holdings Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 42 to 123, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA’s *Code of Ethics for Professional Accountants* (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

# INDEPENDENT AUDITOR'S REPORT (continued)

To the shareholders of Kam Hing International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

## KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
<b>Impairment assessment of accounts receivable</b>	
<p>Accounts receivable accounted for 19% and 8% of the net assets and total assets of the Group, respectively, and were significant to the consolidated statement of financial position of the Group as at 31 December 2023. The Group recognised an allowance for expected credit losses (“ECLs”) for accounts receivable balances and established a provision matrix for the purpose of impairment assessment. Significant judgement is involved in the estimation and assessment of the correlation among historical observed default rate, forecast economic conditions and ECLs.</p> <p>Details of accounts receivable are disclosed in notes 2.4, 3 and 19 to the financial statements.</p>	<p>We obtained management's impairment assessment on the accounts receivable balances and checked the settlement received from customers subsequent to the end of the reporting period on a sample basis and assessed the underlying assumptions adopted by management in the provision matrix, with reference to various factors such as the ageing of accounts receivable balances, the credit terms granted by the Group to respective customers, the historical repayment patterns of customers and forward-looking factors.</p>

# INDEPENDENT AUDITOR'S REPORT (continued)

## **To the shareholders of Kam Hing International Holdings Limited**

*(Incorporated in the Cayman Islands with limited liability)*

### **OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT**

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

### **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

# INDEPENDENT AUDITOR'S REPORT (continued)

## To the shareholders of Kam Hing International Holdings Limited

*(Incorporated in the Cayman Islands with limited liability)*

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

# INDEPENDENT AUDITOR'S REPORT (continued)

**To the shareholders of Kam Hing International Holdings Limited**

*(Incorporated in the Cayman Islands with limited liability)*

## **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Kwong Ka Yan.

### **Ernst & Young**

Certified Public Accountants

27/F, One Taikoo Place

979 King's Road

Quarry Bay, Hong Kong

26 March 2024

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
<b>REVENUE</b>	5	3,604,357	4,106,168
Cost of sales		(3,309,180)	(3,751,875)
Gross profit		295,177	354,293
Other income and gains, net	5	85,334	57,981
Selling and distribution expenses		(98,259)	(107,276)
Administrative expenses		(294,348)	(297,615)
Write-back of impairment losses/(impairment losses) on financial assets, net		702	(6,689)
Other operating income/(expenses), net		(8,548)	5,739
Finance costs	6	(104,734)	(58,647)
Share of loss of an associate		(314)	(1,626)
<b>LOSS BEFORE TAX</b>	7	(124,990)	(53,840)
Income tax expense	10	(9,781)	(874)
<b>LOSS FOR THE YEAR</b>		(134,771)	(54,714)
Attributable to:			
Ordinary equity holders of the Company		(132,908)	(57,958)
Non-controlling interests		(1,863)	3,244
		(134,771)	(54,714)
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	12		
Basic		HK(15.3) cents	HK(6.7) cents
Diluted		HK(15.3) cents	HK(6.7) cents

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	2023 HK\$'000	2022 HK\$'000
<b>LOSS FOR THE YEAR</b>	<b>(134,771)</b>	<b>(54,714)</b>
<b>OTHER COMPREHENSIVE EXPENSES</b>		
Other comprehensive expenses that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(124,761)	(225,972)
Share of other comprehensive expenses of an associate	(41)	(225)
<b>OTHER COMPREHENSIVE EXPENSES FOR THE YEAR</b>	<b>(124,802)</b>	<b>(226,197)</b>
<b>TOTAL COMPREHENSIVE EXPENSES FOR THE YEAR</b>	<b>(259,573)</b>	<b>(280,911)</b>
Attributable to:		
Ordinary equity holders of the Company	(257,710)	(284,155)
Non-controlling interests	(1,863)	3,244
	<b>(259,573)</b>	<b>(280,911)</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	1,000,920	1,135,129
Right-of-use assets	14(a)	195,341	223,752
Interests in associates	15	1,480	1,835
Prepayments		4,282	5,110
Long-term receivables		38,348	37,175
Deposits paid	16	2,376	14,724
Deferred tax assets	26	39,478	31,888
<b>Total non-current assets</b>		<b>1,282,225</b>	<b>1,449,613</b>
<b>CURRENT ASSETS</b>			
Properties under development	17	53,674	56,114
Inventories	18	888,436	826,214
Accounts and bills receivables	19	493,070	561,529
Prepayments, deposits and other receivables		95,783	64,639
Financial asset at fair value through profit or loss	20	224	556
Tax recoverable		5,047	2,991
Pledged deposits	21	45,539	37,788
Cash and cash equivalents	21	916,088	1,074,555
<b>Total current assets</b>		<b>2,497,861</b>	<b>2,624,386</b>
<b>CURRENT LIABILITIES</b>			
Accounts and bills payables	22	678,829	436,470
Accrued liabilities and other payables	23	163,790	208,597
Due to an associate	15	947	947
Tax payable		847	3,877
Lease liabilities	14(b)	5,283	6,639
Interest-bearing bank borrowings	24	883,770	495,578
<b>Total current liabilities</b>		<b>1,733,466</b>	<b>1,152,108</b>
<b>NET CURRENT ASSETS</b>		<b>764,395</b>	<b>1,472,278</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>2,046,620</b>	<b>2,921,891</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings	24	377,766	966,688
Lease liabilities	14(b)	14,347	32,937
Deferred tax liabilities	26	4,056	4,617
Total non-current liabilities		396,169	1,004,242
Net assets		1,650,451	1,917,649
<b>EQUITY</b>			
<b>Equity attributable to ordinary equity holders of the Company</b>			
Issued capital	27	86,992	86,992
Reserves	29	1,563,536	1,826,207
		1,650,528	1,913,199
Non-controlling interests		(77)	4,450
Total equity		1,650,451	1,917,649

**Tai Chin Chun**  
Director

**Tai Chin Wen**  
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

	Attributable to ordinary equity holders of the Company									Total equity HK\$'000
	Issued capital HK\$'000	Share premium account HK\$'000	Capital reserve HK\$'000	Statutory surplus reserve HK\$'000	Other reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	
At 1 January 2023	86,992	446,105	104,804	79,337	(11,979)	24,061	1,183,879	1,913,199	4,450	1,917,649
Loss for the year	-	-	-	-	-	-	(132,908)	(132,908)	(1,863)	(134,771)
Other comprehensive expenses for the year:										
Exchange differences on translation of foreign operations	-	-	-	-	-	(124,761)	-	(124,761)	-	(124,761)
Share of other comprehensive expenses of an associate	-	-	-	-	-	(41)	-	(41)	-	(41)
Total comprehensive expenses for the year	-	-	-	-	-	(124,802)	(132,908)	(257,710)	(1,863)	(259,573)
Distribution of statutory surplus reserve upon deregistration of subsidiaries	-	-	-	(5,006)	-	-	-	(5,006)	-	(5,006)
Forfeiture of unclaimed dividend	-	-	-	-	-	-	45	45	-	45
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	(2,664)	(2,664)
At 31 December 2023	86,992	446,105*	104,804*	74,331*	(11,979)*	(100,741)*	1,051,016*	1,650,528	(77)	1,650,451

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 31 December 2023

	Attributable to ordinary equity holders of the Company								Non-controlling interests	Total equity
	Issued capital	Share premium account	Capital reserve	Statutory surplus reserve	Other reserve	Exchange reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
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/(loss) for the year	-	-	-	-	-	-	(57,958)	(57,958)	3,244	(54,714)
Other comprehensive expenses for the year:										
Exchange differences on translation of foreign operations	-	-	-	-	-	(225,972)	-	(225,972)	-	(225,972)
Share of other comprehensive expenses of an associate	-	-	-	-	-	(225)	-	(225)	-	(225)
Total comprehensive income/(expenses) for the year	-	-	-	-	-	(226,197)	(57,958)	(284,155)	3,244	(280,911)
Final 2021 dividend declared and paid	-	-	-	-	-	-	(11,309)	(11,309)	-	(11,309)
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	(1,052)	(1,052)
At 31 December 2022	86,992	446,105*	104,804*	79,337*	(11,979)*	24,061*	1,183,879*	1,913,199	4,450	1,917,649

\* These reserve accounts comprise the consolidated reserves of HK\$1,563,536,000 (2022: HK\$1,826,207,000) in the consolidated statement of financial position.

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before tax		(124,990)	(53,840)
Adjustments for:			
Share of loss of an associate	15	314	1,626
Bank interest income	5	(28,023)	(6,583)
COVID-19-related rent concessions from lessors	5	–	(126)
Fair value losses/(gains):			
Financial asset at fair value through profit or loss	5	332	(241)
Interest on bank loans and overdrafts	6	89,948	51,467
Amortisation of bank charges on syndicated loans	6	13,861	5,572
Interest on lease liabilities	6	925	1,608
Depreciation of items of property, plant and equipment	7	245,876	279,361
Depreciation of right-of-use assets	7	13,759	15,910
Gain on early termination of lease arrangements	7	(2,704)	–
Loss on disposal of items of property, plant and equipment, net	7	11,822	1,238
Provision for inventories, net	7	–	1,540
Write-off of inventories	7	1,946	–
Impairment/(write-back of impairment) allowance for accounts receivable, net	7	(702)	6,689
Loss on deregistration of subsidiaries, net	7	1,819	–
		<b>224,183</b>	<b>304,221</b>
Decrease/(increase) in inventories		(64,168)	690,000
Decrease in accounts and bills receivables		69,161	295,444
Decrease/(increase) in prepayments, deposits and other receivables		(30,316)	12,689
Increase/(decrease) in accounts and bills payables		242,404	(407,882)
Decrease in accrued liabilities and other payables		(55,308)	(59,985)
Exchange realignment		(69,911)	(117,147)
Cash generated from operations		<b>316,045</b>	<b>717,340</b>
Interest received		28,023	6,583
Interest paid		(89,948)	(51,467)
Interest element of lease payments		(925)	(1,608)
Hong Kong profits tax refunded		9	–
Hong Kong profits tax paid		(2,539)	(10,369)
Overseas taxes refunded		–	127
Overseas taxes paid		(17,507)	(5,307)
Net cash flows from operating activities		<b>233,158</b>	<b>655,299</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Year ended 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of items of property, plant and equipment	13, 25(a)	(162,943)	(76,941)
Proceeds from disposal of items of property, plant and equipment		2,928	280
Increase in long-term receivables		(1,173)	(1,137)
Increase in long-term deposits paid	25(a)	4,883	(11,899)
Decrease in pledged deposits		(7,751)	31,764
Net cash flows used in investing activities		(164,056)	(57,933)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Principal portion of lease payments	25(b)	(6,109)	(8,326)
Drawdown of bank loans		2,537,289	1,348,794
Repayment of bank loans		(2,751,880)	(1,707,122)
Dividend paid		–	(11,309)
Dividend paid to non-controlling shareholders		(2,664)	(1,052)
Net cash flows used in financing activities		(223,364)	(379,015)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
		(154,262)	218,351
Cash and cash equivalents at beginning of year		1,074,555	863,437
Effect of foreign exchange rate changes, net		(4,205)	(7,233)
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>			
		916,088	1,074,555
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	21	849,825	578,621
Time deposits with original maturity within three months	21	66,263	495,934
Cash and cash equivalents	21	916,088	1,074,555

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 1. CORPORATE AND GROUP INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 26 November 2003 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The principal place of business of the Company is located at 23A, TML Tower, No.3 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong. The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 37 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

## 2. ACCOUNTING POLICIES

### 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for a financial asset at fair value through profit or loss and financial assets at fair value through other comprehensive income which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand except when otherwise indicated.

#### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 2. ACCOUNTING POLICIES (continued)

### 2.1 BASIS OF PREPARATION (continued)

#### Basis of consolidation (continued)

Profit or loss and each component of other comprehensive income are attributed to the ordinary equity holders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to the consolidated statement of profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2.4 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 2. ACCOUNTING POLICIES (continued)

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:  
(continued)

- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.
- (c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments did not have any significant impact on the Group's financial statements.
- (d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 2. ACCOUNTING POLICIES (continued)

### 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised HKFRSs, if applicable, when they become effective.

Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>3</sup>
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i> <sup>1</sup>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)</i> <sup>1, 4</sup>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i> <sup>1, 4</sup>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i> <sup>1</sup>
Amendments to HKAS 21	<i>Lack of Exchangeability</i> <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2024

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2025

<sup>3</sup> No mandatory effective date yet determined but available for adoption

<sup>4</sup> As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA. However, the amendments are available for adoption now.

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa.

The Group is in the process of making an assessment of the impact of these revised HKFRSs upon initial application, but is not yet in a position to state whether these revised HKFRSs would have any significant impact on its financial performance and financial position.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 2. ACCOUNTING POLICIES (continued)

### 2.4 MATERIAL ACCOUNTING POLICIES

#### Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's interests in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's interests in associates.

If an interest in an associate becomes an interest in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

#### Fair value measurement

The Group measures its financial asset at fair value through profit or loss and financial assets at fair value through other comprehensive income at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 2. ACCOUNTING POLICIES (continued)

### 2.4 MATERIAL ACCOUNTING POLICIES (continued)

#### Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

#### Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, properties under development, financial assets and deferred tax assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 2. ACCOUNTING POLICIES (continued)

### 2.4 MATERIAL ACCOUNTING POLICIES (continued)

#### Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 2. ACCOUNTING POLICIES (continued)

### 2.4 MATERIAL ACCOUNTING POLICIES (continued)

#### Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Freehold land	Not depreciated
Buildings	5% to 20%, or over the lease terms, whichever is shorter
Plant and machinery	10%
Furniture, fixtures and office equipment	12% to 20%
Motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sale proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

#### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 2. ACCOUNTING POLICIES (continued)

### 2.4 MATERIAL ACCOUNTING POLICIES (continued)

#### Properties under development

Properties under development represent properties being developed for sale and are stated at lower of cost and net realisable value. Cost comprises the prepaid land lease payments or cost of land together with any other direct costs attributable to the development of the properties and other related expenses capitalised during the development period. Net realisable value is determined by the directors based on the prevailing market prices on an individual property basis less estimated costs of completion and costs to be incurred in selling the property.

Once the development of these properties is completed, these properties are transferred to completed properties for sale.

If a property under development is intended to be redeveloped into an owner-occupied property, it is transferred to construction in progress at the carrying amount.

#### Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### *Group as a lessee*

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### (a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 2. ACCOUNTING POLICIES (continued)

### 2.4 MATERIAL ACCOUNTING POLICIES (continued)

#### Leases (continued)

##### *Group as a lessee (continued)*

##### (a) Right-of-use assets (continued)

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	3 to 50 years
Buildings	2 to 5 years
Plant and machinery	1 to 10 years
Motor vehicle	5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

##### (b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

##### (c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of property and machinery (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 2. ACCOUNTING POLICIES (continued)

### 2.4 MATERIAL ACCOUNTING POLICIES (continued)

#### Leases (continued)

##### *Group as a lessor*

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in other income in the statement of profit or loss. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, are accounted for as finance leases.

#### Investments and other financial assets

##### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Accounts and bills receivables are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 2. ACCOUNTING POLICIES (continued)

### 2.4 MATERIAL ACCOUNTING POLICIES (continued)

#### Investments and other financial assets (continued)

##### *Initial recognition and measurement (continued)*

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

##### *Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

##### *Financial assets at amortised cost (debt instruments)*

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

##### *Financial assets at fair value through other comprehensive income (debt instruments)*

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

##### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity are also recognised as other income in the statement of profit or loss when the right of payment has been established.

#### Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 2. ACCOUNTING POLICIES (continued)

### 2.4 MATERIAL ACCOUNTING POLICIES (continued)

#### Impairment of financial assets (continued)

##### *General approach*

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for accounts receivable which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 2. ACCOUNTING POLICIES (continued)

### 2.4 MATERIAL ACCOUNTING POLICIES (continued)

#### Impairment of financial assets (continued)

##### *Simplified approach*

For accounts receivable that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

#### Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### Financial liabilities

##### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 2. ACCOUNTING POLICIES (continued)

### 2.4 MATERIAL ACCOUNTING POLICIES (continued)

#### **Financial liabilities (continued)**

##### *Initial recognition and measurement (continued)*

The Group's financial liabilities include accounts and bills payables, financial liabilities included in accrued liabilities and other payables, lease liabilities, interest-bearing bank borrowings and an amount due to an associate.

##### *Subsequent measurement*

The subsequent measurement of financial liabilities depends on their classification as follows:

#### **Financial liabilities at amortised cost (trade and other payables, and borrowings)**

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

#### **Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

#### **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 2. ACCOUNTING POLICIES (continued)

### 2.4 MATERIAL ACCOUNTING POLICIES (continued)

#### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

#### **Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

#### **Provisions**

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

#### **Income tax**

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 2. ACCOUNTING POLICIES (continued)

### 2.4 MATERIAL ACCOUNTING POLICIES (continued)

#### Income tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 2. ACCOUNTING POLICIES (continued)

### 2.4 MATERIAL ACCOUNTING POLICIES (continued)

#### Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

#### Revenue recognition

##### *Revenue from contracts with customers*

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Revenue from the sale of knitted fabric, dyed yarn and garment products and provision of related subcontracting services is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the knitted fabric, dyed yarn and garment products.

##### *Other income*

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Rental income is recognised on a time proportion basis over the lease terms.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 2. ACCOUNTING POLICIES (continued)

### 2.4 MATERIAL ACCOUNTING POLICIES (continued)

#### **Contract liabilities**

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

#### **Employee benefits**

##### *Share-based payments*

The Company operates a share option scheme. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external professionally qualified valuer using the binomial/Black-Scholes option pricing model.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value.

Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 2. ACCOUNTING POLICIES (continued)

### 2.4 MATERIAL ACCOUNTING POLICIES (continued)

#### Employee benefits (continued)

##### *Share-based payments (continued)*

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

##### *Pension schemes and other retirement benefits*

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme, in accordance with the rules of the MPF Scheme.

The Group is obligated to make long service payments to qualifying employees in Hong Kong with a minimum of 5 years’ employment period upon retirement or termination of employment under certain circumstances, in accordance with the Hong Kong Employment Ordinance (the “Employment Ordinance”). Long service payment is calculated based on the last monthly salary of the employee and the number of years of service. There are provisions under the Employment Ordinance permitting employers to offset employees’ long service payments against the accrued benefits attributable to employers’ contributions to the MPF Scheme. In 2022, the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Bill 2022 (the “Amendment Bill”) was enacted, such that the Group can no longer use accrued benefits arising from MPF mandatory employer contributions to offset employees’ long service payments accrued as from the transition date (i.e., 1 May 2025). The enactment of the Amendment Bill is treated as a plan amendment. Except for the statutory right to offset as described above, the long service payment benefits are unfunded.

The net long service payment obligations are exposed to interest rate risk, the risk arising from changes in employees’ average longevity at retirement or termination of employment, expected rate of future salary increase and market risk associated with investment returns of employees’ MPF Scheme.

The employees of the Group’s subsidiaries which operate in Chinese Mainland are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 2. ACCOUNTING POLICIES (continued)

### 2.4 MATERIAL ACCOUNTING POLICIES (continued)

#### Employee benefits (continued)

##### *Pension schemes and other retirement benefits (continued)*

Staff benefits are also provided to the staff working in other countries according to the respective countries' statutory requirements.

##### *Termination benefits*

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

#### Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

#### Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or statement of profit or loss is also recognised in other comprehensive income or statement of profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 2. ACCOUNTING POLICIES (continued)

### 2.4 MATERIAL ACCOUNTING POLICIES (continued)

#### Foreign currencies (continued)

The functional currencies of certain overseas subsidiaries and an associate are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the exchange rates that approximate to those prevailing at the dates of the transactions. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

#### Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

#### Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

### Judgements (continued)

#### Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If these portions could not be sold separately or leased out separately under a finance lease, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Otherwise, the property is classified as an owner-occupied property.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

#### Impairment of assets

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

#### Withholding taxes arising from the distributions of dividends

The Group's determination as to whether to accrue for withholding taxes arising from the distributions of dividends from certain subsidiaries according to the relevant tax jurisdictions is subject to judgement on the timing of the payment of the dividend. The Group considers that if the profits will not be distributed in the foreseeable future, then no withholding taxes should be provided.

#### Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, which may cause an adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

#### Impairment allowance for accounts receivable

The Group uses a provision matrix to calculate ECLs for accounts receivable. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

### Estimation uncertainty (continued)

#### Impairment allowance for accounts receivable (continued)

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's accounts receivable is disclosed in note 19 to the financial statements.

## 4. 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 service, the provision of air and ocean freight handling services 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.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2023

	Fabric HK\$'000	Garment HK\$'000	Others HK\$'000	Total HK\$'000
<b>Segment revenue: (note 5)</b>				
Revenue from external customers	2,944,793	659,564	–	3,604,357
Intersegment sales	134,616	344	–	134,960
	3,079,409	659,908	–	3,739,317
Elimination of intersegment sales				(134,960)
				3,604,357
Segment loss	(43,224)	(2,706)	(1,141)	(47,071)
Bank interest income	26,579	1,279	165	28,023
Finance costs (other than interest on lease liabilities)	(103,716)	(93)	–	(103,809)
Loss on deregistration of subsidiaries, net	(1,819)	–	–	(1,819)
Share of loss of an associate	–	(314)	–	(314)
Loss before tax	(122,180)	(1,834)	(976)	(124,990)
Income tax credit/(expense)	(9,622)	(189)	30	(9,781)
Loss for the year	(131,802)	(2,023)	(946)	(134,771)
<b>Assets and liabilities</b>				
Segment assets	3,109,875	542,994	86,259	3,739,128
Interests in associates	–	1,480	–	1,480
Deferred tax assets	20,001	–	19,477	39,478
Total assets	3,129,876	544,474	105,736	3,780,086
Segment liabilities	(2,026,814)	(95,478)	(3,287)	(2,125,579)
Deferred tax liabilities	(4,056)	–	–	(4,056)
Total liabilities	(2,030,870)	(95,478)	(3,287)	(2,129,635)
<b>Other segment information:</b>				
Depreciation of items of property, plant and equipment	238,424	6,529	923	245,876
Depreciation of right-of-use assets	6,808	5,451	1,500	13,759
Loss/(gain) on disposal of items of property, plant and equipment, net	11,838	(16)	–	11,822
Impairment/(write-back of impairment) for accounts receivable, net	(4,307)	3,605	–	(702)
Write-off of inventories	–	1,946	–	1,946
Capital expenditure*	88,989	77,330	4,089	170,408

\* Capital expenditure consists of additions of property, plant and equipment.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2022

	Fabric HK\$'000	Garment HK\$'000	Others HK\$'000	Total HK\$'000
<b>Segment revenue: (note 5)</b>				
Revenue from external customers	3,293,006	813,162	–	4,106,168
Intersegment sales	142,709	–	–	142,709
	3,435,715	813,162	–	4,248,877
Elimination of intersegment sales				(142,709)
				<u>4,106,168</u>
Segment profit/(loss)	(19,484)	19,448	(1,722)	(1,758)
Bank interest income	6,429	130	24	6,583
Finance costs (other than interest on lease liabilities)	(57,039)	–	–	(57,039)
Share of loss of an associate	–	(1,626)	–	(1,626)
Profit/(loss) before tax	(70,094)	17,952	(1,698)	(53,840)
Income tax credit/(expense)	1,880	(2,949)	195	(874)
Profit/(loss) for the year	(68,214)	15,003	(1,503)	(54,714)
Assets and liabilities				
Segment assets	3,452,425	471,523	116,328	4,040,276
Interests in associates	–	1,835	–	1,835
Deferred tax assets	7,300	–	24,588	31,888
Total assets	<u>3,459,725</u>	<u>473,358</u>	<u>140,916</u>	<u>4,073,999</u>
Segment liabilities	(2,068,894)	(77,541)	(5,298)	(2,151,733)
Deferred tax liabilities	–	–	(4,617)	(4,617)
Total liabilities	<u>(2,068,894)</u>	<u>(77,541)</u>	<u>(9,915)</u>	<u>(2,156,350)</u>
Other segment information:				
Depreciation of items of property, plant and equipment	268,894	6,405	4,062	279,361
Depreciation of right-of-use assets	11,995	3,051	864	15,910
Loss on disposal of items of property, plant and equipment, net	1,238	–	–	1,238
Impairment for accounts receivable, net	6,656	33	–	6,689
Provision for inventories	1,540	–	–	1,540
Capital expenditure*	76,405	2,745	–	79,150

\* Capital expenditure consists of additions of property, plant and equipment.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 4. OPERATING SEGMENT INFORMATION (continued)

### Geographical information

#### (a) Revenue from external customers

	2023 HK\$'000	2022 HK\$'000
Korea	1,430,276	1,357,034
Chinese Mainland	613,478	740,561
Hong Kong	270,031	255,342
Singapore	257,168	199,372
Taiwan	209,494	408,113
United Kingdom	181,728	274,574
United States	133,793	217,430
Vietnam	71,967	124,207
Others	436,422	529,535
Total revenue	3,604,357	4,106,168

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

#### (b) Non-current assets

	2023 HK\$'000	2022 HK\$'000
Chinese Mainland	970,858	1,210,992
Cambodia	141,776	73,582
Hong Kong	47,567	58,361
Singapore	118	763
Others	44,080	36,852
	1,204,399	1,380,550

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

### Information about a major customer

During the year ended 31 December 2023, revenue of approximately HK\$517,301,000 was derived from sales by the fabric products segment to a single customer. During the year ended 31 December 2022, the revenue from the Group's largest customer amounted to less than 10% of the Group's total revenue.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2023 HK\$'000	2022 HK\$'000
Revenue from contracts with customers		
Production and sale of knitted fabric and dyed yarn	2,944,793	3,293,006
Production and sale of garment products and provision of related subcontracting services	659,564	813,162
Total	3,604,357	4,106,168

### Revenue from contracts with customers

#### (i) Disaggregated revenue information

For the year ended 31 December 2023

Segments	Fabric HK\$'000	Garment HK\$'000	Total HK\$'000
<b>Types of goods or services</b>			
Sale of goods	2,944,793	630,358	3,575,151
Subcontracting services	–	29,206	29,206
Total	2,944,793	659,564	3,604,357
<b>Geographical markets</b>			
Korea	1,430,276	–	1,430,276
Chinese Mainland	463,170	150,308	613,478
Hong Kong	220,014	50,017	270,031
Singapore	231,162	26,006	257,168
Taiwan	209,494	–	209,494
United Kingdom	–	181,728	181,728
United States	–	133,793	133,793
Vietnam	71,967	–	71,967
Others	318,710	117,712	436,422
Total	2,944,793	659,564	3,604,357
<b>Timing of revenue recognition</b>			
At a point in time	2,944,793	659,564	3,604,357

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 5. REVENUE, OTHER INCOME AND GAINS (continued)

### Revenue from contracts with customers (continued)

#### (i) Disaggregated revenue information (continued)

##### For the year ended 31 December 2022

Segments	Fabric HK\$'000	Garment HK\$'000	Total HK\$'000
<b>Types of goods or services</b>			
Sale of goods	3,293,006	776,223	4,069,229
Subcontracting services	–	36,939	36,939
<b>Total</b>	<b>3,293,006</b>	<b>813,162</b>	<b>4,106,168</b>
<b>Geographical markets</b>			
Korea	1,357,034	–	1,357,034
Chinese Mainland	617,952	122,609	740,561
Taiwan	408,113	–	408,113
Singapore	139,121	60,251	199,372
United Kingdom	–	274,574	274,574
Hong Kong	228,647	26,695	255,342
United States	19,550	197,880	217,430
Vietnam	124,207	–	124,207
Others	398,382	131,153	529,535
<b>Total</b>	<b>3,293,006</b>	<b>813,162</b>	<b>4,106,168</b>
<b>Timing of revenue recognition</b>			
At a point in time	3,293,006	813,162	4,106,168

The following table shows the amount of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period:

	2023 HK\$'000	2022 HK\$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	21,133	55,566

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

### Revenue from contracts with customers (continued)

#### (ii) Performance obligations

Information about the Group's performance obligations is summarised below:

#### ***Sale of knitted fabric, dyed yarns and garment products, and provision of related subcontracting services***

The performance obligation is satisfied upon delivery of the knitted fabric, dyed yarns and garment products and payment is generally due within one month to three months from delivery, except for certain well-established customers with strong financial strength, good repayment history and creditworthiness, where the credit terms are extended to six months.

As a practical expedient, the transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) are not disclosed in the notes to the financial statements because all the remaining performance obligations in relation to sale of knitted fabric, dyed yarns and garment products, and provision of related subcontracting services are a part of contracts that have an original expected duration of less than one year.

	Note	2023 HK\$'000	2022 HK\$'000
<b>Other income</b>			
Fee income from sewage treatment		21,476	23,996
Fee income from freight handling services		6,500	8,821
Bank interest income		28,023	6,583
Subsidy income	7	15,835	11,134
Gain on early termination of lease arrangements		2,704	–
COVID-19-related rent concessions from lessors		–	126
Others		11,128	7,080
<b>Total other income</b>		<b>85,666</b>	<b>57,740</b>
<b>Gains/(losses), net</b>			
Fair value gains/(losses):			
Financial asset at fair value through profit or loss – held for trading		(332)	241
<b>Total other income and gains, net</b>		<b>85,334</b>	<b>57,981</b>

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 6. FINANCE COSTS

An analysis of finance costs is as follows:

	2023 HK\$'000	2022 HK\$'000
Interest on bank loans and overdrafts	89,948	51,467
Interest on lease liabilities	925	1,608
Amortisation of bank charges on syndicated loans	13,861	5,572
<b>Total</b>	<b>104,734</b>	<b>58,647</b>

## 7. LOSS BEFORE TAX

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

	Notes	2023 HK\$'000	2022 HK\$'000
Cost of inventories sold and services provided		3,309,180	3,751,875
Auditor's remuneration		3,647	3,647
Research and development costs		138,869	138,420
Depreciation of items of property, plant and equipment	13	245,876	279,361
Depreciation of right-of-use assets	14(a)	13,759	15,910
Employee benefit expense (excluding directors' remuneration – note 8):			
Wages and salaries		488,348	482,555
Pension scheme contributions***		44,704	60,317
<b>Total</b>		<b>533,052</b>	<b>542,872</b>
Lease payments not included in the measurement of lease liabilities	14(c)	1,978	1,956
Gain on early termination of lease arrangements*	14(c)	(2,704)	–
Loss on disposal of items of property, plant and equipment, net*		11,822	1,238
Loss on deregistration of subsidiaries, net		1,819	–
Impairment/(write-back of impairment) of financial assets, net:			
Impairment/(write-back of impairment) for accounts receivable, net	19	(702)	6,689
Provision for inventories, net**		–	1,540
Write-off of inventories**		1,946	–
Foreign exchange differences, net*		(52,302)	(44,957)
Subsidy income****		(15,835)	(11,134)

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 7. LOSS BEFORE TAX (continued)

- \* These amounts are included in “Other operating income/(expenses), net” on the face of the consolidated statement of profit or loss.
- \*\* These amounts are included in “Cost of sales” on the face of the consolidated statement of profit or loss.
- \*\*\* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.
- \*\*\*\* Subsidy income mainly represented the amount received from governments under research and development schemes and employment schemes. There are no unfulfilled conditions or contingencies related to these grants.

The cost of inventories sold and services provided includes depreciation, staff costs and provision for inventories, net of HK\$650,301,000 (2022: HK\$692,372,000), which are also included in the respective total amounts disclosed separately above.

The research and development costs include depreciation and staff costs of HK\$57,338,000 for the year ended 31 December 2023 (2022: HK\$57,671,000), which are also included in the respective total amounts disclosed separately above.

## 8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2023 HK\$'000	2022 HK\$'000
Fees	720	720
Other emoluments:		
Salaries, allowances and benefits in kind	12,867	14,536
Pension scheme contributions	72	72
Subtotal	12,939	14,608
Total	13,659	15,328

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 8. DIRECTORS' REMUNERATION (continued)

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Pension scheme contributions HK\$'000	Total HK\$'000
<b>2023</b>				
Executive directors:				
Tai Chin Chun	–	4,112	18	4,130
Tai Chin Wen	–	3,335	–	3,335
Cheung So Wan	–	1,920	18	1,938
Wong Siu Yuk	–	2,000	18	2,018
Lei Heong Man	–	1,500	18	1,518
Independent non-executive directors:				
Ting Kay Loong	240	–	–	240
Ho Gilbert Chi Hang	240	–	–	240
Wu Tak Lung	240	–	–	240
<b>Total</b>	<b>720</b>	<b>12,867</b>	<b>72</b>	<b>13,659</b>
<b>2022</b>				
Executive directors:				
Tai Chin Chun	–	4,628	18	4,646
Tai Chin Wen	–	3,760	–	3,760
Cheung So Wan	–	2,210	18	2,228
Wong Siu Yuk	–	2,250	18	2,268
Lei Heong Man	–	1,688	18	1,706
Independent non-executive directors:				
Ting Kay Loong	240	–	–	240
Ho Gilbert Chi Hang	240	–	–	240
Wu Tak Lung	240	–	–	240
<b>Total</b>	<b>720</b>	<b>14,536</b>	<b>72</b>	<b>15,328</b>

Due to the subsequent adverse effects after COVID-19, the executive directors had voluntarily agreed to effect a temporary reduction of their basic remuneration until the business of the Group recovered. During the year ended 31 December 2023, all (2022: all) the executive directors had agreed to a temporary reduction of their basic remuneration of approximately 25% (2022: 25%) for the year (2022: 7 months).

During the year, no emolument (2022: Nil) was paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

## 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included five (2022: five) directors, details of whose remuneration are set out in note 8 above.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 10. INCOME TAX

	2023 HK\$'000	2022 HK\$'000
Current tax – Hong Kong		
Charge for the year	367	3,421
Overprovision in prior years	–	(115)
Current tax – Elsewhere		
Charge for the year	973	240
Underprovision in prior years	17,359	2,424
Deferred tax credit (note 26)	(8,918)	(5,096)
Total tax charge for the year	9,781	874

Hong Kong profits tax has been provided on the estimated assessable profits arising in Hong Kong at the rate of 16.5% (2022: 16.5%). During the year ended 31 December 2022, one subsidiary of the Group was a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 of assessable profits of this subsidiary were taxed at 8.25% and the remaining assessable profits were taxed at 16.5%. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the 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 Chinese Mainland.

During the years ended 31 December 2023 and 31 December 2022, certain subsidiaries of the Group were entitled to a preferential tax rate of 15% under the status of High New Technology Enterprises.

For Macau, the first Macau Pataca 600,000 (equivalent to approximately HK\$583,000) of assessable profits of the Macau subsidiary are exempted from Macao complementary tax and the remaining assessable profits are subject to the statutory rate of 12% (2022: 12%).

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 10. INCOME TAX (continued)

A reconciliation of the tax expense applicable to loss before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries and an associate are domiciled to the tax expense at the effective tax rates is as follows:

**2023**

	Hong Kong HK\$'000	Macau HK\$'000	The PRC, excluding Hong Kong and Macau HK\$'000	Others HK\$'000	Total HK\$'000
Loss before tax	(34,439)	(5,185)	(72,928)	(12,438)	(124,990)
Tax at the statutory tax rate	(5,683)	(622)	(18,232)	(2,478)	(27,015)
Lower tax rate enacted by local authority	–	–	3,814	–	3,814
Loss attributable to an associate	–	–	79	–	79
Adjustments in respect of current tax of prior years	–	–	17,359	–	17,359
Income not subject to tax	(6,028)	–	(8,261)	(11)	(14,300)
Expenses not deductible for tax	2,972	–	5,486	1,414	9,872
Tax losses not recognised	2	621	28,005	1,064	29,692
Tax loss utilised	–	–	–	(21)	(21)
Others	556	1	(10,288)	32	(9,699)
Tax charge/(credit) at the Group's effective rate	(8,181)	–	17,962	–	9,781

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 10. INCOME TAX (continued)

2022

	Hong Kong HK\$'000	Macau HK\$'000	The PRC, excluding Hong Kong and Macau HK\$'000	Others HK\$'000	Total HK\$'000
Loss before tax	(11,153)	(2,806)	(35,862)	(4,019)	(53,840)
Tax at the statutory tax rate	(1,840)	(337)	(8,965)	(766)	(11,908)
Lower tax rate enacted by local authority	(165)	–	3,222	–	3,057
Loss attributable to an associate	–	–	407	–	407
Adjustments in respect of current tax of prior years	(115)	–	2,424	–	2,309
Income not subject to tax	(1,300)	–	(709)	(189)	(2,198)
Expenses not deductible for tax	1,859	–	2,398	484	4,741
Tax losses not recognised	12	335	15,104	456	15,907
Others	144	2	(11,602)	15	(11,441)
Tax charge/(credit) at the Group's effective rate	(1,405)	–	2,279	–	874

## 11. DIVIDEND

The Company's board of directors does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

## 12. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share amount for the year ended 31 December 2023 is based on the loss for the year attributable to ordinary equity holders of the Company of HK\$132,908,000 (2022: HK\$57,958,000) and 869,919,000 (2022: 869,919,000) ordinary shares in issue during the year.

The Company had no potentially dilutive ordinary shares during the years ended 31 December 2023 and 2022.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
<b>31 December 2023</b>						
Cost:						
At 1 January 2023	567,396	3,786,766	96,885	38,764	7,209	4,497,020
Additions	51,198	34,046	3,532	1,979	79,653	170,408
Disposals/write-off	–	(259,047)	(11)	(872)	–	(259,930)
Transfers	–	55,881	649	202	(56,732)	–
Exchange realignment	(22,925)	(163,038)	(3,435)	(1,011)	(545)	(190,954)
At 31 December 2023	595,669	3,454,608	97,620	39,062	29,585	4,216,544
Accumulated depreciation:						
At 1 January 2023	351,723	2,888,741	85,010	36,417	–	3,361,891
Charge for the year	22,308	216,011	6,036	1,521	–	245,876
Disposals/write-off	–	(244,345)	(11)	(824)	–	(245,180)
Exchange realignment	(13,461)	(129,434)	(3,100)	(968)	–	(146,963)
At 31 December 2023	360,570	2,730,973	87,935	36,146	–	3,215,624
Net book value:						
At 31 December 2023	235,099	723,635	9,685	2,916	29,585	1,000,920

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and buildings HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
<b>31 December 2022</b>						
Cost:						
At 1 January 2022	605,977	4,664,218	139,998	48,138	61,390	5,519,721
Additions	–	21,085	950	524	56,591	79,150
Disposals/write-off	–	(716,000)	(40,633)	(7,580)	–	(764,213)
Transfers	–	106,977	1,313	–	(108,290)	–
Exchange realignment	(38,581)	(289,514)	(4,743)	(2,318)	(2,482)	(337,638)
At 31 December 2022	567,396	3,786,766	96,885	38,764	7,209	4,497,020
Accumulated depreciation:						
At 1 January 2022	350,742	3,578,328	122,437	43,810	–	4,095,317
Charge for the year	25,175	244,603	7,255	2,328	–	279,361
Disposals/write-off	–	(714,482)	(40,633)	(7,580)	–	(762,695)
Exchange realignment	(24,194)	(219,708)	(4,049)	(2,141)	–	(250,092)
At 31 December 2022	351,723	2,888,741	85,010	36,417	–	3,361,891
Net book value:						
At 31 December 2022	215,673	898,025	11,875	2,347	7,209	1,135,129

As at 31 December 2023, the Group was in the process of applying for the building ownership certificates in respect of certain self-used properties with net book values of approximately HK\$2.3 million (2022: HK\$3 million) and approximately HK\$27 million (2022: HK\$31.6 million) situated in Nansha and Enping, the PRC, respectively. The Company's directors confirmed that, based on the advice from the Company's legal counsel, as the Group has properly obtained the land use right certificates in respect of the land on which the aforementioned self-used properties are erected, they are therefore in the opinion that there is no legal barrier or otherwise for the Group to obtain the building ownership certificates from the relevant Chinese Mainland authority.

Certain of the Group's properties are leased to third parties under operating lease arrangements, further summary details of which are included in note 14 to the financial statements.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 14. LEASES

### The Group as a lessee

The Group has lease contracts for various items of leasehold land, buildings, plant and machinery, and a motor vehicle used in its operation. Lump sum payments were made upfront to acquire certain leasehold land from the owners with lease periods of 33 to 50 years, and ongoing payments will be made to the owners for certain land leases with lease periods of 3 to 50 years. Leases of buildings generally have lease terms between 2 and 5 years, while leases of plant and machinery, and a motor vehicle generally have lease terms between 2 and 10 years, and 5 years, respectively. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

#### (a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and movements during the year are as follows:

	<b>Leasehold land HK\$'000</b>	<b>Buildings HK\$'000</b>	<b>Plant and machinery HK\$'000</b>	<b>Motor vehicle HK\$'000</b>	<b>Total HK\$'000</b>
As at 1 January 2022	233,562	3,331	45	405	237,343
Additions	12,598	106	32	–	12,736
Depreciation charge	(13,440)	(2,264)	(47)	(159)	(15,910)
Exchange realignment	(10,402)	(12)	(3)	–	(10,417)
As at 31 December 2022 and 1 January 2023	222,318	1,161	27	246	223,752
Additions	276	8,397	–	–	8,673
Depreciation charge	(11,320)	(2,293)	(15)	(131)	(13,759)
Early termination of lease arrangements	(18,766)	–	–	–	(18,766)
Exchange realignment	(4,547)	(9)	–	(3)	(4,559)
As at 31 December 2023	187,961	7,256	12	112	195,341

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 14. LEASES (continued)

### The Group as a lessee (continued)

#### (b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2023 HK\$'000	2022 HK\$'000
Carrying amount at 1 January	39,576	37,355
New leases	8,673	12,736
Accretion of interest recognised during the year	925	1,608
COVID-19-related rent concessions from lessors	–	(126)
Payments	(7,034)	(9,934)
Early termination of lease arrangements	(21,470)	–
Exchange realignment	(1,040)	(2,063)
Carrying amount at 31 December	<b>19,630</b>	39,576
Analysed into:		
Current portion	5,283	6,639
Non-current portion	14,347	32,937
Analysed into:		
Within one year or on demand	5,283	6,639
In the second year	4,432	7,494
In the third to fifth years, inclusive	7,467	15,673
Beyond five years	2,448	9,770
	<b>19,630</b>	39,576

The maturity analysis of lease liabilities is disclosed in note 35 to the financial statements.

The Group applied the practical expedient to all eligible COVID-19-related rent concessions granted by the lessors for leases of certain leasehold land and buildings of the Group during the year ended 31 December 2022.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 14. LEASES (continued)

### The Group as a lessee (continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2023 HK\$'000	2022 HK\$'000
Interest on lease liabilities	925	1,608
Depreciation charge of right-of-use assets	13,759	15,910
COVID-19-related rent concessions from lessors	–	(126)
Gain on early termination of lease arrangements	(2,704)	–
Expenses relating to short-term leases		
– included in cost of sales	955	104
– included in administrative expenses	1,023	1,852
Subtotal	1,978	1,956
Total amount recognised in profit or loss	13,958	19,348

(d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 25(c) and 30, respectively, to the financial statements.

### The Group as a lessor

The Group leases certain of its property (note 13) under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rental adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was HK\$596,000 (2022: HK\$281,000).

As at 31 December 2023, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2023 HK\$'000	2022 HK\$'000
Within one year	584	271
After one year but within two years	183	151
After two years but within three years	77	123
After three years but within four years	66	81
After four years but within five years	13	69
After five years	96	114
Total	1,019	809

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 15. INTERESTS IN ASSOCIATES

	2023 HK\$'000	2022 HK\$'000
Share of net assets	1,480	1,835

The amount due to an associate included in the Group's current liabilities is unsecured, interest-free and repayable on demand.

The Group's accounts receivable and accounts payable with an associate as at 31 December 2023 are disclosed in notes 19 and 22, respectively, to the financial statements. The Group's accounts receivable with an associate as at 31 December 2022 are disclosed in note 19 to the financial statements.

Particulars of the associates are as follows:

Name	Particulars of issued shares held/ paid-up registered capital	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group		Principal activities
			2023	2022	
Kam Hing International Limited ("Kam Hing International")	Ordinary shares of United States dollar ("US\$") 1 each	BVI	25	25	Investment holding
建新(中山)服飾有限公司 ("Json Zhongshan")	Renminbi ("RMB") 10,000,000	PRC/ Chinese Mainland	45	45	Manufacture of garment products

As at 31 December 2023, the Group's shareholdings in Kam Hing International and Json Zhongshan were held through wholly-owned subsidiaries of the Company.

The Group has discontinued the recognition of its share of losses of Kam Hing International because the share of losses of the associate exceeded the Group's interest in the associate and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of losses of this associate for the current year and cumulatively were nil (2022: Nil) and HK\$536,000 (2022: HK\$536,000), respectively.

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2023 HK\$'000	2022 HK\$'000
Share of the associates' loss for the year	(314)	(1,626)
Share of the associates' other comprehensive expenses	(41)	(225)
Share of the associates' total comprehensive expenses	(355)	(1,851)
Carrying amount of the Group's interests in the associates	1,480	1,835

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 16. DEPOSITS PAID

	2023 HK\$'000	2022 HK\$'000
Deposits paid for:		
Acquisition of Property, plant and equipment	–	7,465
Others	2,376	7,259
Total	2,376	14,724

## 17. PROPERTIES UNDER DEVELOPMENT

	2023 HK\$'000	2022 HK\$'000
At the beginning of the reporting period	56,114	60,220
Exchange realignment	(2,440)	(4,106)
At the end of the reporting period	53,674	56,114

## 18. INVENTORIES

	2023 HK\$'000	2022 HK\$'000
Raw materials	466,663	421,547
Work in progress	247,200	218,197
Finished goods	174,573	186,470
Total	888,436	826,214

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 19. ACCOUNTS AND BILLS RECEIVABLES

	2023 HK\$'000	2022 HK\$'000
Accounts receivable	326,263	364,991
Impairment	(14,468)	(16,675)
Net carrying amount	311,795	348,316
Bills receivable	181,275	213,213
Total	493,070	561,529

As at 31 December 2023, gross trade receivables of certain customers of HK\$14,040,000 (2022: HK\$10,831,000), which are designated in an accounts receivable factoring arrangement entered into between the Group and a bank in Hong Kong, were measured at fair value through other comprehensive income as these accounts receivable are managed within a business model with the objective of both holding to collect contractual cash flows and selling for working capital management and the contractual terms of these receivables give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's trading terms with its customers are generally on credit with terms of up to three months and are non-interest-bearing (except for certain well-established customers with strong financial strength, good repayment history and creditworthiness, where the credit terms are extended to six months). The Group seeks to maintain strict control over its outstanding receivables 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.

As at 31 December 2023, included in the Group's accounts receivable was an amount due from an associate of the Group of HK\$9,843,000 (2022: HK\$1,967,000), which was repayable on credit terms similar to those offered to the major customers of the Group.

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

	2023 HK\$'000	2022 HK\$'000
Within 1 month	302,287	263,266
1 to 2 months	117,450	176,173
2 to 3 months	39,159	60,329
Over 3 months	34,174	61,761
Total	493,070	561,529

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 19. ACCOUNTS AND BILLS RECEIVABLES (continued)

The movements in the loss allowance for impairment of accounts and bills receivables are as follows:

	2023 HK\$'000	2022 HK\$'000
At 1 January	16,675	23,502
Impairment/(write-back of impairment) losses, net (note 7)	(702)	6,689
Write-off as uncollectible	(1,011)	(13,393)
Exchange realignment	(494)	(123)
At 31 December	14,468	16,675

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, accounts receivable are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's accounts receivable using a provision matrix:

### As at 31 December 2023

	Current	Past due			Total
		Less than 1 month	1 to 6 months	Over 6 months	
Gross carrying amount of specific accounts receivable (HK\$'000)	2,906	1,009	4,437	5,214	13,566
Expected credit loss rate	100%	100%	100%	100%	100%
Expected credit losses of specific accounts receivable (HK\$'000)	2,906	1,009	4,437	5,214	13,566
Gross carrying amount excluding specific accounts receivable (HK\$'000)	289,357	22,060	1,243	37	312,697
Expected credit loss rate	0.0%	2.1%	32.8%	100%	0.3%
Expected credit losses of amount excluding specific accounts receivable (HK\$'000)	–	457	408	37	902
Total expected credit losses	2,906	1,466	4,845	5,251	14,468

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 19. ACCOUNTS AND BILLS RECEIVABLES (continued)

As at 31 December 2022

	Current	Past due			Total
		Less than 1 month	1 to 6 months	Over 6 months	
Gross carrying amount of specific accounts receivable (HK\$'000)	6,025	3	4,912	4,833	15,773
Expected credit loss rate	100%	100%	100%	100%	100%
Expected credit losses of specific accounts receivable (HK\$'000)	6,025	3	4,912	4,833	15,773
Gross carrying amount excluding specific accounts receivable (HK\$'000)	265,600	54,155	29,459	4	349,218
Expected credit loss rate	0.0%	0.0%	3.1%	25%	0.3%
Expected credit losses of amount excluding specific accounts receivable (HK\$'000)	–	–	901	1	902
Total expected credit losses	6,025	3	5,813	4,834	16,675

## 20. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 HK\$'000	2022 HK\$'000
Listed equity investment, at fair value	224	556

The above equity investment was classified as a financial asset at fair value through profit or loss as it was held for trading.

## 21. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Note	2023 HK\$'000	2022 HK\$'000
Cash and bank balances		849,825	578,621
Time deposits		66,263	495,934
Pledged deposits		45,539	37,788
Subtotal		961,627	1,112,343
Less: Pledged deposits for bills payable	22	(45,539)	(37,788)
Cash and cash equivalents		916,088	1,074,555

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 21. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS (continued)

As at 31 December 2023, the cash and bank balances of the Group denominated in RMB amounted to approximately HK\$97,975,000 (2022: HK\$91,265,000). RMB is not freely convertible into other currencies. However, under the Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between eight days and one month (2022: one month and three months) and earn interest at the respective short-term time deposit rates. Pledged bank deposits earn interest at the respective short-term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

## 22. ACCOUNTS AND BILLS PAYABLES

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

	2023 HK\$'000	2022 HK\$'000
Within 3 months	609,428	383,126
3 to 6 months	66,393	51,716
Over 6 months	3,008	1,628
Total	678,829	436,470

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

As at 31 December 2023, bills payables of HK\$151,135,000 were included in the above accounts and were secured by the Group's pledged bank deposits of HK\$45,539,000 (note 21).

As at 31 December 2023, included in the Group's accounts payable was an amount due to an associate of the Group of HK\$153,000 (2022: Nil), which is repayable within two months, which represents credit terms similar to those offered by the associate to its major customers.

## 23. ACCRUED LIABILITIES AND OTHER PAYABLES

Included in accrued liabilities and other payables were contract liabilities of HK\$4,853,000 as at 31 December 2023, HK\$21,133,000 as at 31 December 2022 and HK\$55,566,000 as at 1 January 2022, respectively.

Contract liabilities include short-term deposits received to deliver knitted fabric, dyed yarns and garment products and to provide related subcontracting services. The decrease in contract liabilities in 2023 was mainly due to the decrease (2022: decrease) in deposits received from customers in relation to the sale of garment products.



# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 25. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Major non-cash transactions

During the year, non-current deposits paid of HK\$7,465,000 (2022: HK\$2,209,000) were transferred to property, plant and equipment.

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK\$8,673,000 (2022: HK\$12,736,000) and HK\$8,673,000 (2022: HK\$12,736,000), respectively.

### (b) Changes in liabilities arising from financing activities

	<b>Bank loans</b>	<b>Lease liabilities</b>
	HK\$'000	HK\$'000
At 1 January 2022	1,815,022	37,355
Changes from financing cash flows	(358,328)	(8,326)
New leases	–	12,736
Interest expense	57,039	1,608
Interest paid classified as operating cash flows	(51,467)	(1,608)
COVID-19-related rent concessions from lessors	–	(126)
Exchange realignment	–	(2,063)
At 31 December 2022 and 1 January 2023	1,462,266	39,576
Changes from financing cash flows	(214,591)	(6,109)
New leases	–	8,673
Early termination of lease arrangements	–	(21,470)
Interest expense	103,809	925
Interest paid classified as operating cash flows	(89,948)	(925)
Exchange realignment	–	(1,040)
At 31 December 2023	1,261,536	19,630

### (c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	<b>2023</b>	<b>2022</b>
	HK\$'000	HK\$'000
Within operating activities	2,903	3,564
Within financing activities	6,109	8,326
Total	9,012	11,890

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 26. DEFERRED TAX

The movements in deferred tax assets and liabilities of the Group during the year were as follows:

### Deferred tax assets

	Losses available for offsetting against future taxable profits		Depreciation expense in excess of related depreciation allowance and other deductible temporary differences		Total	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
At 1 January	4,494	–	27,394	29,347	31,888	29,347
Deferred tax credited to the statement of profit or loss during the year (note 10)	8,347	4,494	203	217	8,550	4,711
Exchange realignment	–	–	(960)	(2,170)	(960)	(2,170)
At 31 December	12,841	4,494	26,637	27,394	39,478	31,888

### Deferred tax liabilities

	Fair value adjustments arising from acquisition of a subsidiary		Total	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
At 1 January	4,617	5,358	4,617	5,358
Deferred tax credited to the statement of profit or loss during the year (note 10)	(368)	(385)	(368)	(385)
Exchange realignment	(193)	(356)	(193)	(356)
At 31 December	4,056	4,617	4,056	4,617

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 26. DEFERRED TAX (continued)

The Group is liable for withholding taxes on dividends distributed by those subsidiaries established in Chinese Mainland in respect of earnings generated from 1 January 2008. The applicable rate is 5% or 10% for the Group. At 31 December 2023, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Chinese Mainland. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with interests in subsidiaries in Chinese Mainland for which deferred tax liabilities have not been recognised totalled approximately HK\$117 million at 31 December 2023 (2022: HK\$284 million).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

The Group has aggregate estimated tax losses arising in Hong Kong, Chinese Mainland, Macau, Singapore and Cambodia of HK\$450,794,000 (2022: HK\$258,502,000) that are available for offsetting against future taxable profits of the Company and the respective subsidiaries in which the losses arose. Apart from the tax losses for which deferred tax assets of HK\$8,347,000 had been recognised during the year, no other deferred tax assets have been recognised in respect of these losses as the directors consider it is not probable that future taxable profit will be available against which these tax losses can be utilised. Included in unrecognised tax losses are estimated tax losses of HK\$7,973,000 (2022: HK\$2,796,000), HK\$54,071,000 (2022: HK\$53,190,000) and HK\$373,738,000 (2022: HK\$189,398,000) that will expire within three years, five years and ten years, respectively, from the date the losses arose. Other losses can be carried forward indefinitely.

## 27. SHARE CAPITAL

	2023 HK\$'000	2022 HK\$'000
Authorised:		
2,000,000,000 (2022: 2,000,000,000) ordinary shares of HK\$0.1 each	200,000	200,000
Issued and fully paid:		
869,919,000 (2022: 869,919,000) ordinary shares of HK\$0.1 each	86,992	86,992

### Share options

Details of the Company's share option scheme are included in note 28 to the financial statements.

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## 28. SHARE OPTION SCHEME

The Company operates a share option scheme (the “Scheme”) 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 Company’s 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 9 June 2014 and unless otherwise cancelled or amended, will remain in force for 10 years commencing from 9 June 2014.

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 adoption of the scheme mandate limit and as at the date hereof. 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 of the Company, 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 directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the highest 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.

There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these share options. The Group accounts for the Scheme as an equity-settled plan.

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

During the year, no share options were granted, exercised, lapsed, forfeited or cancelled by the Company under the Scheme.

At the date of approval of these financial statements, the Company had no share options outstanding under the Scheme (2022: Nil).

# NOTES TO FINANCIAL STATEMENTS

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## 29. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

The capital reserve of the Group represents (i) the premium of HK\$93,378,000 arising from the issue of shares by Joint Result Holdings Limited ("Joint Result") for settlement of the amounts due to directors on 31 December 2003; and (ii) the excess of the nominal value of the share capital of the subsidiaries acquired pursuant to the group reorganisation which took place on 24 August 2004, whereby the Company became the holding company of the companies now comprising the Group (the "Group Reorganisation"), over the nominal value of the 1,000,000 shares of HK\$0.1 each of the Company issued in exchange therefor and the then existing 1,000,000 shares of HK\$0.1 each credited as fully paid at par.

In accordance with the relevant PRC regulations, the subsidiaries which are established in the PRC are required to transfer 10% of their profits after tax, as determined under the PRC accounting regulations, to the statutory surplus reserve, until the balance of the reserve reaches 50% of their respective registered capital. Subject to certain restrictions as set out in the relevant PRC regulations, the statutory surplus reserve may be used to offset against accumulated losses of the respective subsidiaries.

## 30. COMMITMENTS

(a) The Group had the following contractual commitments as at the end of the reporting period:

	2023 HK\$'000	2022 HK\$'000
Purchases of machinery	6,934	26,568
Construction in progress	14,501	21,531
Construction of new manufacturing facilities	176,207	221,670
Construction of properties under development	8,159	8,530
Total contractual commitments	205,801	278,299

The Group had outstanding commitments amounting to HK\$321,028,000 (2022: HK\$332,943,000) as at the end of the reporting period in respect of the investments in subsidiaries.

At 31 December 2023, the Group had outstanding irrevocable letters of credit amounting to HK\$214,268,000 (2022: HK\$102,388,000).

(b) The Group has a lease contract that has not yet commenced as at 31 December 2023 and 2022. The future lease payment for the non-cancellable lease contract was HK\$522,000 (2022: HK\$545,000).

# NOTES TO FINANCIAL STATEMENTS

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## 31. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Notes	2023 HK\$'000	2022 HK\$'000
Rental expenses on warehouse paid to Tai Chin Chun and Tai Chin Wen	(i)	540	540
Rental expenses on car park spaces paid to Cheung So Wan and Wong Siu Yuk	(ii)	336	336
Rental expenses on staff quarters paid to Cheung So Wan and Wong Siu Yuk	(iii)	293	310
Rental expenses on staff quarters paid to Tai Tang Tat	(iv)	113	119
Associate:			
Sales of products to an associate	(v)	11,005	–
Subcontracting fee charged from an associate	(vi)	54,930	40,940

# NOTES TO FINANCIAL STATEMENTS

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## 31. RELATED PARTY TRANSACTIONS (continued)

- (a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year: (continued)

Notes:

- (i) The Group entered into tenancy agreements with Mr. Tai Chin Chun and Mr. Tai Chin Wen, directors of the Company, for the rental of warehouse at a monthly rental of HK\$45,000 from 1 September 2021 to 31 August 2022 and renewed the tenancy agreements at a monthly rental of HK\$45,000 from 1 September 2022 to 31 August 2023 and from 1 September 2023 to 31 August 2024 based on the terms mutually agreed by both parties.
- (ii) The Group entered into tenancy agreements with Ms. Cheung So Wan and Ms. Wong Siu Yuk, directors of the Company, for the rental of car park spaces at monthly rentals of HK\$20,000 from 1 June 2021 to 31 May 2022, from 1 June 2022 to 31 May 2023 and from 1 June 2023 to 31 May 2024, and HK\$8,000 from 1 July 2021 to 30 June 2022 and from 1 July 2022 to 30 June 2023 and from 1 July 2023 to 30 June 2024, based on the terms mutually agreed by the parties.
- (iii) The Group entered into tenancy agreements with Ms. Cheung So Wan and Ms. Wong Siu Yuk, directors of the Company, for the rental of staff quarters at monthly rentals of approximately HK\$26,200 from 1 June 2021 to 31 May 2022 and at monthly rentals of approximately HK\$25,600 from 1 June 2022 to 31 May 2023 and extended the rental of staff quarters at monthly rentals of RMB22,000 (equivalent to HK\$23,640) from 1 June 2023 to 31 May 2024 based on the terms mutually agreed by the parties.
- (iv) The Group entered into tenancy agreements with Mr. Tai Tang Tat, a son of Mr. Tai Chin Wen and Ms. Wong Siu Yuk, directors of the Company, for the rental of staff quarters at monthly rentals of RMB8,500 (equivalent to HK\$10,100) from 1 June 2021 to 31 May 2022 and at monthly rentals of RMB8,500 (equivalent to HK\$9,900) from 1 June 2022 to 31 May 2023 and extended the rental of staff quarters at monthly rentals of RMB8,500 (equivalent to HK\$9,100) from 1 June 2023 to 31 May 2024 based on the terms mutually agreed by both parties.
- (v) The sales to the associate were made according to the published prices and conditions offered to the major customers of the Group.
- (vi) The subcontracting fee charged from the associate was made according to the published prices and conditions offered by the associate to its major customers.
- (b) The Group is still in the process of applying for the land use planning for construction work permit, construction project and planning permit, and commencement of construction work permit in respect of a six-storey factory building, with a net book value of approximately HK\$0.3 million (2022: HK\$0.5 million) as at 31 December 2023.

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.

- (c) Outstanding balance with a related party:

As at 31 December 2023, details of the Group's trade balance with its associate as at the end of the reporting period are disclosed in notes 19 and 22 to the financial statements.

As at 31 December 2022, details of the Group's trade balance with its associate as at the end of the reporting period are disclosed in note 19 to the financial statements.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 31. RELATED PARTY TRANSACTIONS (continued)

(d) Compensation of key management personnel of the Group:

	2023 HK\$'000	2022 HK\$'000
Short-term employee benefits	22,840	24,629
Post-employment benefits	404	321
	<b>23,244</b>	<b>24,950</b>

Further details of directors' emoluments are included in note 8 to the financial statements.

## 32. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

**2023**

### Financial assets

	Financial asset at fair value through other comprehensive income HK\$'000	Financial asset at fair value through profit or loss - held for trading HK\$'000	Financial assets at amortised cost HK\$'000	Total HK\$'000
Accounts and bills receivables	14,040	-	479,030	493,070
Financial assets included in prepayments, deposits and other receivables	-	-	64,196	64,196
Financial asset at fair value through profit or loss	-	224	-	224
Pledged deposits	-	-	45,539	45,539
Cash and cash equivalents	-	-	916,088	916,088
	<b>14,040</b>	<b>224</b>	<b>1,504,853</b>	<b>1,519,117</b>

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 32. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

### 2023 (continued)

#### Financial liabilities

	Financial liabilities at amortised cost HK\$'000
Accounts and bills payables	678,829
Financial liabilities included in accrued liabilities and other payables	65,509
Due to an associate	947
Interest-bearing bank borrowings	1,261,536
Lease liabilities	19,630
	<b>2,026,451</b>

### 2022

#### Financial assets

	Financial asset at fair value through other comprehensive income HK\$'000	Financial asset at fair value through profit or loss - held for trading HK\$'000	Financial assets at amortised cost HK\$'000	Total HK\$'000
Accounts and bills receivables	10,780	-	550,749	561,529
Financial assets included in prepayments, deposits and other receivables	-	-	51,388	51,388
Financial asset at fair value through profit or loss	-	556	-	556
Pledged deposits	-	-	37,788	37,788
Cash and cash equivalents	-	-	1,074,555	1,074,555
	<b>10,780</b>	<b>556</b>	<b>1,714,480</b>	<b>1,725,816</b>

# NOTES TO FINANCIAL STATEMENTS

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## 32. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

### 2022 (continued)

#### Financial liabilities

	Financial liabilities at amortised cost HK\$'000
Accounts and bills payables	436,470
Financial liabilities included in accrued liabilities and other payables	63,832
Due to an associate	947
Interest-bearing bank borrowings	1,462,266
Lease liabilities	39,576
	2,003,091

## 33. TRANSFERS OF FINANCIAL ASSETS

### Transferred financial assets that are not derecognised in their entirety

#### (a) Endorsement of bills receivable

At 31 December 2023, the Group endorsed certain bank bills receivable in the PRC (the "Endorsed Bills") with a carrying amount of RMB2,601,000 (equivalent to HK\$2,827,000) (2022: RMB1,670,000 (equivalent to HK\$1,897,000)) to certain suppliers in order to settle the accounts payable or other payables due to or make prepayments to such suppliers (the "Endorsement"). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated accounts payable or other payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of accounts payable and other payables settled and prepayments to suppliers made by the Endorsed Bills during the year was RMB2,601,000 (equivalent to HK\$2,827,000) (2022: RMB1,670,000 (equivalent to HK\$1,897,000)) as at 31 December 2023.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 33. TRANSFERS OF FINANCIAL ASSETS (continued)

### Transferred financial assets that are not derecognised in their entirety (continued)

#### (b) Discounting of bills receivable

At 31 December 2023, the Group discounted certain bills receivable (the “Discounted Bills”) with a carrying amount of HK\$17,536,000 (2022: Nil) to a local bank in Hong Kong for cash. In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to the Discounted Bills, and accordingly, it continued to recognise the full carrying amount of the Discounted Bills and the respective bank loans. Subsequent to the discounting, the Group does not retain any rights on the use of the Discounted Bills, including the sale, transfer or pledge of the Discounted Bills to any other third parties. The aggregate carrying amount of the bank loans recognised due to the Discounted Bills was HK\$17,536,000 (2022: Nil) as at 31 December 2023.

### Transferred financial assets that are derecognised in their entirety

#### (a) Endorsement of bills receivable

At 31 December 2023, the Group endorsed certain bank bills receivable in the PRC (the “Derecognised Bills”) which were originally endorsed or issued by its customers, to certain of its suppliers for settling the accounts payable or other payables due to such suppliers in aggregate of RMB25,087,000 (equivalent to HK\$27,268,000) (2022: RMB24,556,000 (equivalent to HK\$27,905,000)). The Derecognised Bills have a remaining maturity from one to six months (2022: one to six months) at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills may exercise the right of recourse against any, several or all of the persons liable for the Derecognised Bills, including the Group, in disregard of the order of precedence (the “Continuing Involvement”). In the opinion of the directors of the Company, the risk of the Group being claimed by the holders of the Derecognised Bills is remote in the absence of a default of the accepted banks. The Group has transferred substantially all risks and rewards related to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated accounts payable or other payables. The maximum exposure to loss from the Group’s Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors of the Company, the fair values of the Group’s Continuing Involvement in the Derecognised Bills are not significant.

During the years ended 31 December 2023 and 31 December 2022, 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 years or cumulatively. The Endorsement has been made evenly throughout the years ended 31 December 2023 and 31 December 2022.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 33. TRANSFERS OF FINANCIAL ASSETS (continued)

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

#### (b) Accounts receivable factoring

The Group entered into a without recourse accounts receivable factoring arrangement (the “Arrangement”) with a bank and transferred certain accounts receivable to the bank. At 31 December 2022, the value of the accounts receivable transferred to the bank under the Arrangement that had not been settled was HK\$9,263,000 (the “Derecognised Accounts Receivable”). Under the Arrangement, the Group had transferred substantially all risks and rewards related to the Derecognised Accounts Receivable after the factoring. The Group did not retain any rights on the use of the Derecognised Accounts Receivable, including the sale, transfer or pledge of the Derecognised Accounts Receivable to any other third parties. Accordingly, the Group had derecognised the Derecognised Accounts Receivable.

During the year ended 31 December 2022, the Group had not recognised any gain or loss on the date of transfer of the Derecognised Accounts Receivable. The factoring had been made evenly throughout the year ended 31 December 2022.

#### (c) Discounting of bills receivable

At 31 December 2023, the Group discounted certain bills receivable (the “Derecognised Discounted Bills”) with a carrying amount of RMB32,775,000 (equivalent to HK\$35,625,000) (2022: RMB25,994,000 (equivalent to HK\$29,538,000)) to certain banks in the PRC. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Discounted Bills may exercise the right of recourse against any, several or all of the persons liable for the Derecognised Discounted Bills, including the Group, in disregard of the order of precedence if the bills default (the “Continuing Involvement”). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Discounted Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Discounted Bills. The maximum exposure to loss from the Group’s Continuing Involvement in the Derecognised Discounted Bills and the undiscounted cash flows to repurchase these Derecognised Discounted Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group’s Continuing Involvement in the Derecognised Discounted Bills are not significant. All Derecognised Discounted Bills have a maturity period of approximately six months (2022: from three to six months).

During the years ended 31 December 2023 and 31 December 2022, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Discounted Bills. No gains or losses were recognised from the Continuing Involvement, both during the years or cumulatively. The discounting of bills has been made evenly throughout the years ended 31 December 2023 and 31 December 2022.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, accounts and bills receivables, accounts and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in accrued liabilities and other payables, and an amount due to an associate approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of other receivables and interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair value of listed equity investment is based on quoted market price.

The following tables illustrate the fair value measurement hierarchy of the Group's financial instrument:

### Asset measured at fair value:

	Fair value measurement as at 31 December 2023 using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Financial asset at fair value through profit or loss	224	–	–	224
Debt investments at fair value through other comprehensive income – Accounts receivable	–	14,040	–	14,040
<b>Total</b>	<b>224</b>	<b>14,040</b>	<b>–</b>	<b>14,264</b>

	Fair value measurement as at 31 December 2022 using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Financial asset at fair value through profit or loss	556	–	–	556
Debt investments at fair value through other comprehensive income – Accounts receivable	–	10,780	–	10,780
<b>Total</b>	<b>556</b>	<b>10,780</b>	<b>–</b>	<b>11,336</b>

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

As at 31 December 2023, the Group had no financial instrument measured at fair value under Level 3 (2022: Nil).

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets (2022: Nil).

## 35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as accounts and bills receivables, financial assets included in prepayments, deposits, and other receivables, accounts and bills payables, financial liabilities included in accrued liabilities and other payables, and an amount due to an associate, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

### Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank borrowings with floating interest rates.

The Group regularly reviews and monitors the floating interest rate borrowings in order to manage its interest rate risk. The interest-bearing bank borrowings are stated at amortised cost and not revalued on a periodic basis. Floating rate interest income and expenses are credited/charged to the statement of profit or loss as earned/incurred.

The following table demonstrates the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Group's loss before tax (through the impact on floating rate borrowings).

	Increase in interest rate %	Increase in the Group's loss before tax HK\$'000
<b>2023</b>	1	12,615
2022	1	14,623

# NOTES TO FINANCIAL STATEMENTS

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## 35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Foreign currency risk

Foreign currency risk is the risk of losses due to adverse movements in foreign exchange rates relating to investments denominated in foreign currencies. The Group has transactional currency exposures. Such exposures arise as a substantial portion of sales and purchase transactions is conducted by the Group's subsidiaries in US\$ and RMB with the counterparties. As the Hong Kong dollar is virtually pegged to US\$, the Group does not expect any significant movements in the US\$/Hong Kong dollar exchange rate in the foreseeable future.

The Group's assets and liabilities are primarily denominated in Hong Kong dollars, US\$ and RMB.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's loss before tax (arising from RMB denominated financial instruments).

	Increase/ (decrease) in RMB rate %	Decrease/ (increase) in the Group's loss before tax HK\$'000
<b>2023</b>		
If Hong Kong dollar weakens against RMB	3	(26,631)
If Hong Kong dollar strengthens against RMB	(3)	26,631
<b>2022</b>		
If Hong Kong dollar weakens against RMB	3	(19,487)
If Hong Kong dollar strengthens against RMB	(3)	19,487

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

### Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

#### As at 31 December 2023

	12-month ECLs	Lifetime ECLs			Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Simplified approach HK\$'000	
Debt investments at fair value through other comprehensive income:					
– Accounts receivable*	–	–	–	14,040	14,040
Accounts receivable*	–	–	–	312,223	312,223
Bills receivable – Normal**	181,275	–	–	–	181,275
Financial assets included in prepayments, deposits and other receivables					
– Normal**	64,196	–	–	–	64,196
Pledged deposits					
– Not yet past due	45,539	–	–	–	45,539
Cash and cash equivalents					
– Not yet past due	916,088	–	–	–	916,088
<b>Total</b>	<b>1,207,098</b>	<b>–</b>	<b>–</b>	<b>326,263</b>	<b>1,533,361</b>

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Credit risk (continued)

#### Maximum exposure and year-end staging (continued)

As at 31 December 2022

	12-month ECLs		Lifetime ECLs		Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Simplified approach HK\$'000	
Debt investments at fair value through other comprehensive income:					
– Accounts receivable*	–	–	–	10,831	10,831
Accounts receivable*	–	–	–	354,160	354,160
Bills receivable – Normal**	213,213	–	–	–	213,213
Financial assets included in prepayments, deposits and other receivables					
– Normal**	51,388	–	–	–	51,388
Pledged deposits					
– Not yet past due	37,788	–	–	–	37,788
Cash and cash equivalents					
– Not yet past due	1,074,555	–	–	–	1,074,555
<b>Total</b>	<b>1,376,944</b>	<b>–</b>	<b>–</b>	<b>364,991</b>	<b>1,741,935</b>

\* For accounts receivable to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 19 to the financial statements.

\*\* The credit quality of the bills receivable and the financial assets included in prepayments, deposits and other receivables is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

### Liquidity risk

The Group monitors its risk to a shortage of funds by considering the maturity of both its financial instruments and financial assets (e.g. accounts and bills receivables) and projected cash flows from operations.

The Group’s objective is to maintain a balance between continuity of funding and flexibility through the use of bills payable, interest-bearing bank borrowings and lease liabilities to meet its working capital and capital expenditure requirements.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2023			Total HK\$'000
	Less than 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	
Accounts and bills payables	678,829	–	–	678,829
Financial liabilities included in accrued liabilities and other payables	65,509	–	–	65,509
Due to an associate	947	–	–	947
Interest-bearing bank borrowings	885,678	380,000	–	1,265,678
Lease liabilities	5,369	11,850	2,498	19,717
<b>Total</b>	<b>1,636,332</b>	<b>391,850</b>	<b>2,498</b>	<b>2,030,680</b>

	2022			Total HK\$'000
	Less than 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	
Accounts and bills payables	436,470	–	–	436,470
Financial liabilities included in accrued liabilities and other payables	63,832	–	–	63,832
Due to an associate	947	–	–	947
Interest-bearing bank borrowings	501,149	975,000	–	1,476,149
Lease liabilities	9,669	27,070	11,305	48,044
<b>Total</b>	<b>1,012,067</b>	<b>1,002,070</b>	<b>11,305</b>	<b>2,025,442</b>

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 31 December 2022.

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt comprises all interest-bearing bank borrowings, an amount due to an associate, accounts and bills payables, accrued liabilities and other payables, and lease liabilities less cash and cash equivalents. The total equity comprises ordinary equity holders' equity as stated in the consolidated statement of financial position.

The Group's strategy is to maintain the gearing ratio at a healthy capital level in order to support its business. The gearing ratios of the Group as at the end of the reporting periods were as follows:

	31 December 2023 HK\$'000	31 December 2022 HK\$'000
Interest-bearing bank borrowings (note 24)	1,261,536	1,462,266
Accounts and bills payables	678,829	436,470
Accrued liabilities and other payables	163,790	208,597
Due to an associate	947	947
Lease liabilities	19,630	39,576
Less: Cash and cash equivalents	(916,088)	(1,074,555)
<b>Net debt</b>	<b>1,208,644</b>	<b>1,073,301</b>
Equity attributable to ordinary equity holders of the Company and total capital	1,650,528	1,913,199
<b>Capital and net debt</b>	<b>2,859,172</b>	<b>2,986,500</b>
<b>Gearing ratio</b>	<b>42.3%</b>	<b>35.9%</b>

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2023 HK\$'000	2022 HK\$'000
NON-CURRENT ASSETS		
Interest in a subsidiary	402,207	402,207
CURRENT ASSETS		
Prepayments	179	179
Due from a subsidiary	731,137	732,417
Cash and cash equivalents	928	721
Total current assets	732,244	733,317
CURRENT LIABILITIES		
Accrued liabilities and other payables	245	173
NET CURRENT ASSETS	731,999	733,144
TOTAL ASSETS LESS CURRENT LIABILITIES	1,134,206	1,135,351
Net assets	1,134,206	1,135,351
EQUITY		
Issued capital	86,992	86,992
Reserves (Note)	1,047,214	1,048,359
Total equity	1,134,206	1,135,351

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	<b>Share premium account</b> HK\$'000	<b>Capital reserve</b> HK\$'000	<b>Retained profits</b> HK\$'000	<b>Total</b> HK\$'000
At 1 January 2022	446,105	402,007	212,731	1,060,843
Loss and total comprehensive expenses for the year	–	–	(1,175)	(1,175)
Final 2021 dividend declared and paid	–	–	(11,309)	(11,309)
At 31 December 2022 and 1 January 2023	446,105	402,007	200,247	1,048,359
Loss and total comprehensive expenses for the year	–	–	(1,190)	(1,190)
Forfeiture of unclaimed dividend	–	–	45	45
At 31 December 2023	446,105	402,007	199,102	1,047,214

The capital reserve of the Company represents the excess of the then net assets of the subsidiaries acquired by the Company pursuant to the Group Reorganisation as disclosed in the annual report of the Company for the year ended 31 December 2004, over the nominal value of the share capital of the Company issued in exchange therefor and the then existing 1,000,000 shares of HK\$0.1 each credited as fully paid at par. Under the Companies Law of the Cayman Islands, the capital reserve may be distributable to the shareholders of the Company, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 37. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Issued ordinary share/ registered capital	Percentage of equity attributable to the Company		Principal activities
			2023	2022	
<b>Directly held:</b>					
Joint Result	BVI/ Hong Kong	US\$10,000	100	100	Investment holding
<b>Indirectly held:</b>					
Highkeen Enterprises Limited	BVI/ Hong Kong	US\$1,000	100	100	Investment holding
Kam Hing Textile (International) Limited ("KH Textile")	Hong Kong	Ordinary HK\$2 Non-voting deferred HK\$10,000,000 (Note (a))	100	100	Investment holding
En Ping Kam Hing Textile and Dyeing Co., Ltd. ("En Ping KH")	PRC/ Chinese Mainland	US\$91,878,000 (Note (b))	100	100	Manufacture and trading of knitted and dyed fabrics
Guangzhou Kamhing Textile Dyeing Co., Ltd. ("Guangzhou KH")	PRC/ Chinese Mainland	US\$166,371,000 (Note (c))	100	100	Manufacture and trading of knitted and dyed fabrics

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 37. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and operations	Issued ordinary share/ registered capital	Percentage of equity attributable to the Company		Principal activities
			2023	2022	
<b>Indirectly held:</b> (continued)					
Sparkle Logistics Limited	Hong Kong	HK\$3,800,000	92	92	Provision of air and ocean freight services
Kam Hing Textile Macao Commercial Offshore Company Limited	Macau	Macau Pataca 100,000	100	100	Sourcing agent and trading of yarns and dyeing materials
Kam Hing Piece Works Limited ("KH Piece Works")	Hong Kong	Ordinary HK\$2 Non-voting deferred HK\$1,000,010 (Note (a))	100	100	Trading of finished fabrics
Json Garment Company Limited ("Json")	Hong Kong	HK\$10,000,000	80	80	Trading of garment products
錦興(中國)企業管理 有限公司 ("KH China")	PRC/ Chinese Mainland	US\$16,700,000 (Note (d))	100	100	Property holding and provision of corporate management, sales planning and consultancy services
Lunar Dragon Holdings Limited	Hong Kong	HK\$1	100	100	Property holding
Sewage Treatment Company	PRC/ Chinese Mainland	RMB200,000	100	100	Provision of sewage treatment service

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 37. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and operations	Issued ordinary share/ registered capital	Percentage of equity attributable to the Company		Principal activities
			2023	2022	
<b>Indirectly held:</b> (continued)					
Jade Sun Garment (Cambodia) Co., Ltd. ("Jade Sun")	Kingdom of Cambodia	US\$5,000,000 (Note (e))	80	80	Manufacture and trading of garment products
JH Garment (Cambodia) Co., Ltd. ("JH Garment")	Kingdom of Cambodia	US\$4,500,000 (Note (f))	80	80	Manufacture and trading of garment products
J-Star Garment (Cambodia) Co., Ltd. ("J-Star Garment")	Kingdom of Cambodia	US\$1,500,000 (Note (g))	80	80	Manufacture and trading of garment products
廣東錦恒置業有限公司 ("Kam Hang")	PRC/ Chinese Mainland	RMB96,434,000 (Note (h))	100	100	Property development
Great Market Global Viet Nam Co., Ltd.	Vietnam	US\$5,440,000	100	100	Manufacture and trading of garment products
建新(廣東)紡織有限公司 ("Json Guangdong")	PRC/ Chinese Mainland	RMB30,000,000 (Note (i))	100	100	Trading of garment products

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 37. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Notes:

- (a) The non-voting deferred shares do not entitle the holders thereof to receive notice of or to attend or vote at any general meeting of KH Textile and KH Piece Works. The holders of the non-voting deferred shares are not entitled to any dividends of KH Textile and KH Piece Works. On a winding-up, the holders of the non-voting deferred shares are entitled, out of the surplus assets of KH Textile and KH Piece Works, to a return of the capital paid up on the non-voting deferred shares held by them to one half of the balance after a total sum of HK\$100,000,000,000 has been distributed in such winding-up in respect of the ordinary shares of KH Textile and KH Piece Works.
- (b) En Ping KH is registered as a wholly-foreign-owned enterprise under the PRC law with an operating period of 20 years commencing from 27 April 2005. The registered capital of En Ping KH amounted to US\$101,000,000 (2022: US\$101,000,000), of which US\$91,878,000 (2022: US\$91,878,000) was paid up as at 31 December 2023. The remaining unpaid capital contribution of US\$9,122,000 (2022: US\$9,122,000) (equivalent to approximately HK\$71,148,000 (2022: HK\$71,148,000)) was included in commitments at 31 December 2023 as disclosed in note 30 to the financial statements.
- (c) Guangzhou KH is registered as a wholly-foreign-owned enterprise under the PRC law with an operating period of 25 years commencing from 26 March 1992 and extended to 16 March 2027. The registered capital of Guangzhou KH amounted to US\$192,610,000 (2022: US\$192,610,000), of which US\$166,371,000 (2022: US\$166,371,000) was paid up as at 31 December 2023. The remaining unpaid capital contribution of US\$26,239,000 (2022: US\$26,239,000) (equivalent to approximately HK\$204,664,000 (2022: HK\$204,664,000)) was included in commitments at 31 December 2023 as disclosed in note 30 to the financial statements.
- (d) KH China is registered as a wholly-foreign-owned enterprise under the PRC law with an operating period of 20 years commencing from 9 October 2013. The registered capital of KH China amounted to US\$22,000,000 (2022: US\$22,000,000), of which US\$16,700,000 (2022: US\$16,700,000) was paid up as at 31 December 2023. The remaining unpaid capital contribution of US\$5,300,000 (2022: US\$5,300,000) (equivalent to approximately HK\$41,340,000 (2022: HK\$41,340,000)) was included in commitments at 31 December 2023 as disclosed in note 30 to the financial statements.
- (e) Jade Sun is principally engaged in the manufacture and trading of garment products. The registered capital of Jade Sun was fully paid up.
- (f) JH Garment is principally engaged in the manufacture and trading of garment products. The registered capital of JH Garment was fully paid up.
- (g) J-Star Garment is principally engaged in the manufacture and trading of garment products. The registered capital of J-Star Garment amounted to US\$1,500,000 (2022: US\$1,500,000), of which was fully paid up as at 31 December 2023 (2022: Nil). No unpaid capital contribution was included in commitments at 31 December 2023 as disclosed in note 30 to the financial statements (2022: US\$1,500,000, equivalent to approximately HK\$11,700,000).
- (h) Kam Hang is principally engaged in property development. Kam Hang is registered as a wholly-foreign-owned enterprise under the PRC law with an operating period of 20 years commencing from 24 January 2018. The registered capital of Kam Hang amounted to RMB100,000,000 (2022: RMB100,000,000), of which RMB96,434,000 (2022: RMB96,434,000) was paid up as at 31 December 2023. The remaining unpaid capital contribution of RMB3,566,000 (2022: RMB3,566,000) (equivalent to approximately HK\$3,876,000 (2022: HK\$4,052,000)) was included in commitments at 31 December 2023 as disclosed in note 30 to the financial statements.
- (i) Json Guangdong is principally engaged in the trading of garment products. Json Guangdong is registered as a wholly-foreign-owned enterprise under the PRC law on 20 August 2020. The registered capital of Json Guangdong was fully paid up.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## **37. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)**

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

## **38. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved and authorised for issue by the board of directors on 26 March 2024.

# FIVE-YEAR FINANCIAL SUMMARY

31 December 2023

A summary of the published results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out below:

## RESULTS

	2023 HK\$'000	Year ended 31 December			
		2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
REVENUE	3,604,357	4,106,168	4,389,437	3,826,829	4,350,664
Profit/(loss) before tax	(124,990)	(53,840)	56,712	(29,053)	72,189
Income tax expense	(9,781)	(874)	(7,616)	(6,539)	(11,941)
Profit/(loss) for the year	(134,771)	(54,714)	49,096	(35,592)	60,248
Attributable to:					
Ordinary equity holders of the Company	(132,908)	(57,958)	45,986	(37,298)	60,091
Non-controlling interests	(1,863)	3,244	3,110	1,706	157
	(134,771)	(54,714)	49,096	(35,592)	60,248

## ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	2023 HK\$'000	As at 31 December			
		2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
TOTAL ASSETS	3,780,086	4,073,999	5,193,230	4,703,380	4,827,214
TOTAL LIABILITIES	(2,129,635)	(2,156,350)	(2,982,309)	(2,619,920)	(2,837,406)
NON-CONTROLLING INTERESTS	77	(4,450)	(2,258)	852	955
	1,650,528	1,913,199	2,208,663	2,084,312	1,990,763