



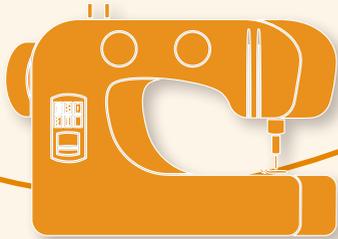
KAM HING INTERNATIONAL HOLDINGS LIMITED  
錦興國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 02307



2021  
INTERIM REPORT



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## CORPORATE INFORMATION

### Board of Directors

#### *Executive Directors*

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

#### *Independent Non-Executive Directors*

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

### Audit Committee

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

### Remuneration Committee

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

### Nomination Committee

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

### Company Secretary

Mr. Chang Man Kwong

### Auditors

Ernst & Young  
*Certified Public Accountants*

### Company Website

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

### Registered Office

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

### Head Office and Principal Place of Business in Hong Kong

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

### Principal Share Registrar and Transfer Office in Cayman Islands

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

### Branch Share Registrar and Transfer Office in Hong Kong

Tricor Investor Services Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

### Stock Code

The Stock Exchange of  
Hong Kong Limited: 02307



## MANAGEMENT DISCUSSION AND ANALYSIS

The Board of Directors (the “Board”) of Kam Hing International Holdings Limited (the “Company”) hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2021 (the “Period”). The interim financial information is not audited but has been reviewed by the audit committee of the Company (the “Audit Committee”).

### Market Review

The global textile and garment industry continued to be clouded by many uncertainties during the first half of 2021. In China, the COVID-19 pandemic was largely put under control, which enabled domestic manufacturing activities to resume since mid-2020. Globally, the prospect of effective vaccination has brought about optimistic consumer sentiments, sparking increasing number of orders from apparel retailers and brands. According to the China Customs Statistics (CCS) Information Center, for the six months ended 30 June 2021, total value of exported textile fabrics increased by approximately 61.1% from the same period last year to approximately US\$30.9 billion.

Despite growing demand, the industry faced structural challenges during the Period in the form of instability in the supply chain. The political tension between China and the West has intensified, sparking sanctions and embargos on certain Chinese enterprises. This has affected the supply of core raw materials such as cotton yarns. Textile and garment industry players hurried to source materials from other markets such as India and Pakistan, where the supply was already diminished due to the COVID-19 pandemic. This caused raw material prices to hike significantly. Furthermore, lockdowns and social distancing measures adopted by many countries and regions caused a shortage of shipping containers, incurring additional costs for manufacturers to deliver orders to customers on time.

In addition, the mutated variants of the COVID-19 virus have caused the pandemic’s recurrence in many regions during the Period. A number of countries in Southeast Asia were hard-hit. In recent years, countries in South-East Asia such as Cambodia and Vietnam have become an important hub for textile and garment manufacturing, and this new wave of the pandemic caused many manufacturing plants to pause production, creating further upstream pressure to the supply chain.



## Market Review (continued)

Overall, the market has showed improvements during the first half of 2021 when compared with 2020. However, due to the lingering impacts of the COVID-19 pandemic, supply chain pressure and deteriorating geopolitical relations, the industry faced much uncertainty, and the business environment was challenging. While market consolidation continues, it is expected that full market recovery back to pre-pandemic levels will take much more time.

## Business Overview

During the first half of 2021, external challenges continued to affect the Group's business. Overall revenue increased by approximately 26.5% year-on-year ("yoy") from HK\$1,610.0 million for the six months ended 30 June 2020 to HK\$2,036.3 million during the Period. Gross profit increased by 110.8% from HK\$142.2 million for the six months ended 30 June 2020 to HK\$299.8 million during the Period. Gross profit margin increased by 5.9 percentage points to 14.7% during the Period. Profit attributable to ordinary equity holders of the Company for the Period amounted to HK\$39.5 million, as compared with loss attributable to ordinary equity holders of the Company amounted to HK\$37.9 million for the six months ended 30 June 2020. The basic earning per share for the Period was HK4.5 cents, compared to basic loss per share of HK4.4 cents for the six months ended 30 June 2020.

During the first half of 2021, revenue generated from the fabric business and garment business accounted for 91.4% and 8.6% of the overall revenue respectively. The fabric 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.



## Business Overview (continued)

For the Group's fabric business, the segment showed recovery early on during the Period, as customer demand increased. Effective vaccination and distribution in Europe and the U.S. have helped to revitalise consumer demand. Customer behaviour had also changed amidst the pandemic as the people are adapting to a new normal. Sportswear saw increased demand during the Period as people became more health conscious, and demand for sportswear's constituent synthetic fabrics therefore increased accordingly. However, the rise of online shopping over offline has brought new challenges. E-commerce platforms tended to keep smaller inventory due to the absence of physical retail locations, and their orders typically came in smaller batches with shorter lead time as a result. Together with the logistics shortage for product delivery and the additional raw material costs caused by the imbalance of demand and supply of cotton yarn, the Group's fabric business was therefore under much pressure during the Period.

As for the garment business, although there has been an uptake in garment products during the Period, supported by recovering consumer sentiments in western society, overall growth of the garment business was curtailed due to the new wave of mutated COVID-19 pandemic that swept across Southeast Asian countries such as Cambodia. The business segment recorded a loss for the Period. This was mainly attributable to regional lockdown measures which paused manufacturing of the Group's Cambodian factories. Logistics services in short supply caused further drag to the business segment.

During the Period, the Group focused its efforts in maintaining financial stability and healthy cash flow. Capital expenditures such as the investments for the development of the new one-stop textile manufacturing base in Vietnam have been deferred due to the local lock-down. In the long run, diversification of the Group's production bases will continue, including that of the garment operations in Cambodia and Vietnam's one-stop textile manufacturing complex.



## Prospects

Looking towards the second half of 2021, the Group anticipates the challenges and uncertainties remain. In China, the new wave of mutated COVID-19 pandemic has caused concern but given China's excellent track record in swiftly containing the initial outbreak in 2020, the Group is confident that the impacts brought by this new wave will be limited. In Cambodia, the latest outbreak in June 2021 has shown signs of abating, as vaccination is progressing steadily. Throughout the entirety of July 2021, the number of infected cases recorded in Cambodia displayed a continually downward trend. Due to these hopeful evolvments, the Group is cautiously optimistic about the gradual recovery of the textile and garment industry.

Regarding the supply of raw materials, it is unknown when the political tension between China and the U.S. will alleviate. With current sanctions in place, it is anticipated that the shortage and price fluctuations of cotton yarns will persist for some time. The Group will proactively communicate with its key suppliers to maintain stable supplies such that the impact of raw material shortage to the Group's business operations will be contained. The Group will also look to diversify its sources of raw materials to spread out geopolitical risks. As for international logistics, the Group will diligently seek out alternative additional freight channels to ensure timely delivery of products to its customers.

While it is unclear when this global pandemic will end, it is observed that industry players and consumers alike are adapting to a new normal. Specifically, consumer demand is shifting away from physical fast fashion retail to E-commerce. This change in market trend as well as the general volatility of the global business environment have reinforced the necessity of a reliable manufacturing partner with diverse and agile capability for apparel brands. To alleviate such external risks as well as to align with its customers' development plans, the Group will continue to invest in establishing a one-stop vertically integrated manufacturing network in Southeast Asia in the long run. The Group will remain attentive to external market changes, to resume its expansion plans for its garment operations in Cambodia. As for the Group's new one-stop textile manufacturing base in Vietnam, it is tentatively anticipated to commence production in 2022, subject to local pandemic control efforts.



## Prospects (continued)

In recent years, China's domestic consumer market has displayed strong potential. Stepping into 2021, the Chinese Government announced the commencement of the "14th Five-Year Plan", which reinforced the need to promote local consumption and to develop a new economic model primarily driven by domestic demand. In addition, the overall economy of China showcased strong resilience, recovering quickly from the COVID-19 impacts. The Group sees great potential in the Chinese consumer market and will actively explore opportunities to expand operations and customer portfolio in China.

To support the Group's future endeavors and uphold its resistance to market downsides, the Group will also continue to strengthen its financial discipline, prioritising on the maintenance of strong cash flow, flexibly allocating financial resources to remain operationally lean and stringent, such that it may deliver sustainable and long-term returns to its shareholders.

## Financial Review

### *Revenue*

Overall sales turnover during the Period reached approximately HK\$2,036.3 million, representing an increase of approximately 26.5% (six months ended 30 June 2020: HK\$1,610.0 million). The increase was mainly attributable to increase in sales to the U.S. and China markets caused by the recovery of customers sentiment.

### *Gross Profit and Gross Profit Margin*

Gross profit during the Period was approximately HK\$299.8 million, representing an increase of approximately 110.8% (six months ended 30 June 2020: HK\$142.2 million). Gross profit margin increased to approximately 14.7% (six months ended 30 June 2020: approximately 8.8%). This was mainly attributable to improvement of margins of our product mix by reducing the proportion of supermarket chain's order with low margins and tighter cost control on production.



## Financial Review (continued)

### *Other Income and Gains, Net*

Other income during the Period of approximately HK\$23.9 million (six months ended 30 June 2020: approximately HK\$48.6 million) mainly comprised income received from provision of sewage treatment of approximately HK\$11.5 million (six months ended 30 June 2020: approximately HK\$9.8 million), fee on air and ocean freight of approximately HK\$5.3 million (six months ended 30 June 2020: approximately HK\$3.2 million), subsidy income from the Chinese and overseas governments of approximately HK\$2.8 million (six months ended 30 June 2020: approximately HK\$30.1 million), bank interest income of approximately HK\$1.4 million (six months ended 30 June 2020: approximately HK\$3.8 million). The remaining balance was mainly derived from sales of scrap.

### *Selling and Distribution Expenses*

Selling and distribution expenses during the Period increased to approximately HK\$68.4 million (six months ended 30 June 2020: approximately HK\$45.0 million). This was in line with the increase in sales. Also, there was an increase in logistic cost due to higher in freight price during the Period.

### *Administrative Expenses*

Administrative expenses, including salaries, depreciation, customs declaration and other related expenses, increased to approximately HK\$161.2 million during the Period (six month ended 30 June 2020: approximately HK\$146.8 million). Administrative expenses increased in line with the growth in sales. The Group is continuing its efforts on cost-saving measures whilst maintaining high quality product and services.



## Financial Review (continued)

### *Other Operating Expenses, Net*

During the Period, other operating expenses, net were a loss of approximately HK\$26.2 million (six months ended 30 June 2020: a gain of approximately HK\$1.4 million), mainly comprising operating expenses on sewage treatment of approximately HK\$11.9 million (six months ended 30 June 2020: approximately HK\$9.2 million) and foreign exchange differences, net of approximately HK\$9.0 million loss (six months ended 30 June 2020: approximately HK\$23.7 million gain) together with impairment of accounts receivable, net of approximately HK\$3.9 million (six months ended 30 June 2020: approximately HK\$13.1 million).

### *Finance costs*

Finance costs for the Period were approximately HK\$19.8 million (six months ended 30 June 2020: approximately HK\$38.4 million), comprising interest on bank loans of approximately HK\$14.8 million (six months ended 30 June 2020: approximately HK\$31.8 million), amortization of bank charges on syndicated loans of approximately HK\$2.8 million (six months ended 30 June 2020: approximately HK\$2.8 million), interest on trade loan and discounted bills of approximately HK\$1.3 million (six months ended 30 June 2020: approximately HK\$2.7 million) and interest on lease liabilities of approximately HK\$1.0 million (six months ended 30 June 2020: approximately HK\$1.0 million). The significant decrease in finance costs was mainly due to early repayment of short term loans and trade loans under a prudent measurement of financial control.

### *Net Profit/(Loss) and Net Profit/(Loss) Margin*

Net profit attributable to ordinary equity holders of the Company for the Period was approximately HK\$39.5 million (six months ended 30 June 2020: net loss of approximately HK\$37.9 million). The profit was mainly attributable to increase in sales in fabric business due to the resumption of demand and market consolidation of fabric business. Although there were increase in demand for both fabric and garment sector, the pandemic still brings adverse effect to the operation of the Group during the period. Regional lockdown measures in Southeast Asian countries have impeded the production and transportation, hence, increased costs and time.



## Financial Review (continued)

### *Liquidity and Financial Resources*

As at 30 June 2021, the Group's net current assets were approximately HK\$1,000.2 million (31 December 2020: approximately HK\$1,188.6 million). The decrease in net current assets was mainly due to reclassification of the first repayment of syndicated loan due in August 2021 to current liabilities. The Group regularly reviews its financial position and maintains a healthy financial position by financing its operations from internally generated resources and long-term bank loans. As at 30 June 2021, the Group had cash and cash equivalents of approximately HK\$779.1 million (31 December 2020: approximately HK\$803.9 million). Current ratio as at 30 June 2021 was approximately 1.5 times (31 December 2020: approximately 1.7 times).

As at 30 June 2021, total bank borrowings of the Group were approximately HK\$1,828.4 million (31 December 2020: approximately HK\$1,544.2 million). The Group's net debt gearing ratio (i.e. net debts divided by the sum of equity and net debts) as at 30 June 2021 was at approximately 47.8% (31 December 2020: approximately 46.4%). Net debts comprise all interest-bearing bank borrowings, accounts and bills payables, accrued liabilities and other payables, an amount due to an associate and lease liabilities less cash and cash equivalents. Sum of equity comprises owners' equity as stated in the consolidated financial statements.

### *Financing*

As at 30 June 2021, the Group's long-term loans were approximately HK\$646.4 million (31 December 2020: approximately HK\$968.6 million), primarily made up of the syndicated loan. The long-term loans remained at a stable level.

### *Interim Dividend*

The Board has resolved not to recommend the payment of an interim dividend for the Period (six months ended 30 June 2020: Nil).



## Financial Review (continued)

### *Foreign Exchange Risk and Interest Rate Risk*

Approximately 76.6% (six months ended 30 June 2020: approximately 70.2%) 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. The exchange rates of other currencies were relatively stable throughout the Period and immaterial on our cost structure. The management closely monitors the foreign exchange movements and determines the appropriate hedging activities when necessary. The Group's borrowings were mainly maintained at a floating rate basis. The management will pay attention to the interest rate movement and employed necessary hedging instruments in a prudent and professional manner.

### *Charge of Group's Assets*

As at 30 June 2021, none of the Group's land and buildings were pledged (31 December 2020: Nil).

### *Capital Expenditure*

For the Period, the Group invested approximately HK\$51.2 million (six months ended 30 June 2020: approximately HK\$64.8 million) in capital expenditure of which approximately 78.1% (six months ended 30 June 2020: approximately 93.7%) was used for the purchase of plant and machinery, approximately 17.3% (six months ended 30 June 2020: approximately 0.2%) was used for the construction of new factory premises, and the remaining was used for the purchase of other property, plant and equipment.

As at 30 June 2021, the Group had capital commitments of approximately HK\$38.4 million (31 December 2020: approximately HK\$31.8 million) in property, plant and equipment and approximately HK\$193.0 million (31 December 2020: approximately HK\$193.0 million) in construction of new manufacturing facilities. All are funded or will be funded by internal resources.



## Financial Review (continued)

### *Contingent Liabilities*

As at 30 June 2021, the Group did not have any significant contingent liabilities (31 December 2020: Nil).

### *Significant Investment*

As at 30 June 2021, the Group did not hold any significant investment with a value of 5% or more of the Group's total assets.

### *Material Acquisition and Disposal*

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

### *Treasury Policy*

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

### *Equity Fund Raising Exercise*

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



## Financial Review (continued)

### *Staff Policy*

The Group had 4,645 (31 December 2020: 4,644) employees in the PRC, 2,113 employees in Cambodia (31 December 2020: 2,074) and 128 employees in Hong Kong, Macau, Singapore, South Korea and others as at 30 June 2021 (31 December 2020: 134). 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 relevant laws and regulations of applicable jurisdictions.

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

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



## OTHER INFORMATION

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

Pursuant to the facility agreement dated 19 August 2019 and entered into among the Company and two other subsidiaries of the Company as guarantors, a wholly-owned subsidiary of the Company as the borrower and a syndicate of banks as lenders, a term loan facility in an aggregate sum of HK\$1,300.0 million for a term of three and a half years was made available to the subsidiary of the Company repayable in four equal instalments on the dates falling 24, 30, 36 and 42 months after the date of the facility agreement. An event of default would arise if, either of or taken together, Mr. Tai Chin Chun and Mr. Tai Chin Wen either: (i) do not or cease to own, directly or indirectly, at least 40% of the beneficial interest in the Company, carrying at least 40% of the voting right, free from any security interest, (ii) are not or cease to be the single largest shareholder of the Company, (iii) do not or cease to have management control of the Group or (iv) do not or cease to appoint or nominate the majority of the Board or is not the chairman of the Company, the commitments under the loan facility may be cancelled and all amounts outstanding under the loan facility may become immediately due and payable.

### Change of Director’s Information under Rule 13.51B(1) of the Listing Rules

Mr. Wu Tak Lung, an independent non-executive director, is also the independent non-executive director of China Machinery Engineering Corporation (stock code: 1829) which withdrew from listing on the Main Board of the Stock Exchange on 6 August 2021.



## Directors' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2021, 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:

1. 332,600,000 shares are held by Exceed Standard Limited ("Exceed Standard"), a company incorporated in the British Virgin Islands (the "BVI") and beneficially owned by Mr. Tai Chin Chun, the chairman and an executive director of the Company. As Ms. Cheung So Wan is his spouse, Mr. Tai Chin Chun is deemed to be interested in the 1,000,000 shares held by Ms. Cheung So Wan under the SFO.



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

Notes: (continued)

2. 96,000,000 shares are held by Power Strategy Limited ("Power Strategy"), a company incorporated in the BVI and beneficially owned by Mr. Tai Chin Wen. As Ms. Wong Siu Yuk is his spouse, Mr. Tai Chin Wen is deemed to be interested in the 1,000,000 shares held by Ms. Wong Siu Yuk under the SFO.
3. Ms. Cheung So Wan is deemed to be interested in the shares held by her spouse, Mr. Tai Chin Chun, under the SFO.
4. Ms. Wong Siu Yuk is deemed to be interested in the shares held by her spouse, Mr. Tai Chin Wen, under the SFO.

Save as disclosed above, as at 30 June 2021, none of the directors nor the chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## Share Option Scheme

The Company adopted a share option scheme (the "Scheme") on 9 June 2014 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, any consultant, advisor, manager or officer who provides research, development, other technological support or services to the Group, the Company's shareholders, and any non-controlling shareholder of the Company's subsidiaries. The Scheme became effective on 11 June 2014 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.



## Share Option Scheme (continued)

The maximum number of shares which may be allotted and issued upon the exercise of the share options to be granted under the Scheme is 86,991,900 shares, representing 10% of the share capital of the Company as at the date of approval of the Scheme and as at 30 June 2021. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

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

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

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

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

No share options had been granted during the Period under the Scheme and there was no outstanding share option as at 30 June 2021.



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

So far as is known to the directors and the chief executive of the Company, as at 30 June 2021, 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:

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

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

Save as disclosed above, as at 30 June 2021, no person, other than the directors or the chief executive of the Company whose interests are set out under the sections headed "Directors' interests and short positions in shares and underlying shares" and "Share option scheme" above, had an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register pursuant to Section 336 of the SFO.

## Purchase, Redemption or Sale of Listed Securities of the Company

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



## Corporate Governance

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

## Audit Committee

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

## Model Code For Securities Transactions By Directors

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code for securities transactions by Directors. Having made specific enquiry, all Directors confirmed that they have complied with the required standard set out in the Model Code for the Period.

## Approval of the Unaudited Interim Financial Statements

The unaudited interim financial statements were approved and authorised for issue by the Board on 23 August 2021.



## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

	Notes	Six months ended 30 June 2021 HK\$'000 (Unaudited)	Six months ended 30 June 2020 HK\$'000 (Unaudited)
<b>REVENUE</b>	2, 3	<b>2,036,283</b>	1,609,965
Cost of sales		<b>(1,736,456)</b>	(1,467,812)
Gross profit		<b>299,827</b>	142,153
Other income and gains, net	3	<b>23,910</b>	48,606
Selling and distribution expenses		<b>(68,413)</b>	(45,043)
Administrative expenses		<b>(161,227)</b>	(146,826)
Other operating expenses, net		<b>(26,160)</b>	1,353
Finance costs		<b>(19,784)</b>	(38,448)
<b>PROFIT/(LOSS) BEFORE TAX</b>	4	<b>48,153</b>	(38,205)
Income tax expense	5	<b>(8,901)</b>	(678)
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<b>39,252</b>	(38,883)
Attributable to:			
Ordinary equity holders of the Company		<b>39,519</b>	(37,862)
Non-controlling interests		<b>(267)</b>	(1,021)
		<b>39,252</b>	(38,883)
Interim dividend	6	<b>Nil</b>	Nil
<b>EARNINGS/(LOSSES) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			
Basic	7	<b>HK4.5 cents</b>	(HK4.4 cents)
Diluted	7	<b>HK4.5 cents</b>	(HK4.4 cents)



## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	<b>Six months ended 30 June 2021 HK\$'000 (Unaudited)</b>	Six months ended 30 June 2020 HK\$'000 (Unaudited)
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	<b>39,252</b>	(38,883)
<b>OTHER COMPREHENSIVE INCOME/(EXPENSES)</b>		
Other comprehensive income/(expenses) may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	–	(122,242)
<b>TOTAL COMPREHENSIVE INCOME/(EXPENSES) FOR THE PERIOD</b>	<b>39,252</b>	(161,125)
Attributable to:		
Ordinary equity holders of the Company	<b>39,519</b>	(160,104)
Non-controlling interests	<b>(267)</b>	(1,021)
	<b>39,252</b>	(161,125)



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	<b>1,478,027</b>	1,575,354
Right-of-use assets		<b>241,843</b>	246,037
Goodwill		–	–
Interest in an associate		<b>2,387</b>	3,739
Prepayments		<b>6,175</b>	6,502
Long term receivables		<b>35,488</b>	34,936
Deposits paid		<b>13,749</b>	8,106
Deferred tax assets		<b>28,471</b>	28,471
Total non-current assets		<b>1,806,140</b>	1,903,145
<b>CURRENT ASSETS</b>			
Properties under development		<b>58,786</b>	58,786
Inventories		<b>1,362,900</b>	949,230
Accounts and bills receivables	9	<b>749,217</b>	837,908
Prepayments, deposits and other receivables		<b>47,934</b>	67,455
Financial assets at fair value through profit or loss		<b>434</b>	147
Tax recoverable		–	1,068
Pledged deposits		<b>59,161</b>	81,695
Cash and cash equivalents		<b>779,057</b>	803,946
Total current assets		<b>3,057,489</b>	2,800,235



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(continued)

As at 30 June 2021

	Note	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
<b>CURRENT LIABILITIES</b>			
Accounts and bills payable	10	690,778	802,139
Accrued liabilities and other payables		163,854	220,499
Due to an associate		947	947
Tax payable		12,986	4,378
Interest-bearing bank borrowings		1,182,054	575,670
Lease liabilities		6,641	8,031
Total current liabilities		2,057,260	1,611,664
<b>NET CURRENT ASSETS</b>		1,000,229	1,188,571
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		2,806,369	3,091,716
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings		646,361	968,575
Lease liabilities		31,792	33,979
Deferred tax liabilities		5,504	5,702
Total non-current liabilities		683,657	1,008,256
Net assets		2,122,712	2,083,460
<b>EQUITY</b>			
<b>Equity attributable to ordinary equity holders of the Company</b>			
Issued capital		86,992	86,992
Reserves		2,036,839	1,997,320
<b>Non-controlling interests</b>		2,123,831 (1,119)	2,084,312 (852)
Total equity		2,122,712	2,083,460



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to ordinary equity holders of the Company									
	Issued capital	Share premium account	Capital reserve	Statutory surplus reserve	Other reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>At 1 January 2020</b>	86,992	446,105	104,804	63,267	(11,979)	27,997	1,273,577	1,990,763	(955)	1,989,808
Loss for the period	-	-	-	-	-	-	(37,862)	(37,862)	(1,021)	(38,883)
Other comprehensive expenses for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	-	(122,242)	-	(122,242)	-	(122,242)
Total comprehensive expenses for the period	-	-	-	-	-	(122,242)	(37,862)	(160,104)	(1,021)	(161,125)
Final 2019 dividend declared	-	-	-	-	-	-	(13,049)	(13,049)	-	(13,049)
At 30 June 2020	86,992	446,105	104,804	63,267	(11,979)	(94,245)	1,222,666	1,817,610	(1,976)	1,815,634
<b>At 1 January 2021</b>	<b>86,992</b>	<b>446,105</b>	<b>104,804</b>	<b>75,974</b>	<b>(11,979)</b>	<b>171,893</b>	<b>1,210,523</b>	<b>2,084,312</b>	<b>(852)</b>	<b>2,083,460</b>
Profit for the period and total comprehensive income for the period	-	-	-	-	-	-	39,519	39,519	(267)	39,252
<b>At 30 June 2021</b>	<b>86,992</b>	<b>446,105</b>	<b>104,804</b>	<b>75,974</b>	<b>(11,979)</b>	<b>171,893</b>	<b>1,250,042</b>	<b>2,123,831</b>	<b>(1,119)</b>	<b>2,122,712</b>



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	<b>Six months ended 30 June 2021 HK\$'000 (Unaudited)</b>	Six months ended 30 June 2020 HK\$'000 (Unaudited)
NET CASH FLOW (USED IN)/FROM OPERATING ACTIVITIES	<b>(269,545)</b>	142,099
Purchases of items of property, plant and equipment	<b>(51,159)</b>	(64,772)
Decrease in pledged deposits	<b>22,534</b>	14,775
Other cash flow from investing activities	<b>(8,103)</b>	10,995
NET CASH FLOW USED IN INVESTING ACTIVITIES	<b>(36,728)</b>	(39,002)
Drawdown of bank loans	<b>1,905,667</b>	589,274
Repayment of bank loans	<b>(1,624,283)</b>	(840,170)
Principal portion of lease payments	–	(6,041)
NET CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES	<b>281,384</b>	(256,937)
NET DECREASE IN CASH AND CASH EQUIVALENTS	<b>(24,889)</b>	(153,840)
Cash and cash equivalents at beginning of period	<b>803,946</b>	772,957
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<b>779,057</b>	619,117
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<b>779,057</b>	619,117



## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1.1 BASIS OF PRESENTATION

The interim condensed consolidated financial statements for the six months ended 30 June 2021 have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and with the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”). These condensed consolidated financial statements are unaudited but have been reviewed by the Company’s audit committee.

### 1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the Period’s financial information.

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



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

The nature and impact of the revised HKFRSs are described below:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars and foreign currencies based on the Hong Kong Interbank Offered Rate and the London Interbank Offered Rate ("LIBOR") as at 30 June 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the "economically equivalent" criterion is met.



## 2. OPERATING SEGMENT INFORMATION

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

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

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

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



## 2. OPERATING SEGMENT INFORMATION (continued)

	Fabric HK\$'000	Garment HK\$'000	Others HK\$'000	Total HK\$'000
<b>Six months ended 30 June 2021</b>				
<b>(Unaudited)</b>				
<b>Segment revenue:</b>				
Revenue from external customers	1,860,152	176,131	-	2,036,283
Intersegment sales	94,392	-	-	94,392
	1,954,544	176,131	-	2,130,675
Elimination of intersegment sales				(94,392)
				2,036,283
Segment profit/(loss)	69,515	270	(2,883)	66,902
Bank interest income	1,400	15	10	1,425
Finance costs (other than interest on lease liabilities)	(18,821)	(1)	-	(18,822)
Share of loss of an associate	-	(1,352)	-	(1,352)
<b>Profit/(loss) before tax</b>	<b>52,094</b>	<b>(1,068)</b>	<b>(2,873)</b>	<b>48,153</b>
Income tax credit/(expense)	(7,650)	(1,448)	197	(8,901)
<b>Profit/(loss) for the period</b>	<b>44,444</b>	<b>(2,516)</b>	<b>(2,676)</b>	<b>39,252</b>
<b>As at 30 June 2021 (Unaudited)</b>				
<b>Assets and liabilities</b>				
Segment assets	4,308,389	381,247	143,135	4,832,771
Interest in associates	-	2,387	-	2,387
Deferred tax assets	2,475	-	25,996	28,471
Total assets	4,310,864	383,634	169,131	4,863,629
Segment liabilities	2,615,482	109,867	10,064	2,735,413
Deferred tax liabilities	76	-	5,428	5,504
Total liabilities	2,615,558	109,867	15,492	2,740,917
<b>Other segment information:</b>				
<b>Six months ended 30 June 2021</b>				
<b>(Unaudited)</b>				
Depreciation of property, plant and equipment	143,694	2,468	2,030	148,192
Depreciation of right-of-use assets	6,351	1,525	553	8,429
Capital expenditure	38,013	13,076	70	51,159



## 2. OPERATING SEGMENT INFORMATION (continued)

	Fabric HK\$'000	Garment HK\$'000	Others HK\$'000	Total HK\$'000
<b>Six months ended 30 June 2020</b>				
<b>(Unaudited)</b>				
<b>Segment revenue:</b>				
Revenue from external customers	1,466,914	143,051	–	1,609,965
Intersegment sales	70,205	–	–	70,205
	1,537,119	143,051	–	1,680,170
Elimination of intersegment sales				(70,205)
				1,609,965
Segment profit/(loss)	(380)	(4,678)	346	(4,712)
Bank interest income	3,760	7	12	3,779
Finance costs (other than interest on lease liabilities)	(37,244)	(28)	–	(37,272)
<b>Profit/(loss) before tax</b>	<b>(33,864)</b>	<b>(4,699)</b>	<b>358</b>	<b>(38,205)</b>
Income tax credit/(expense)	(867)	–	189	(678)
<b>Profit for the period</b>	<b>(34,731)</b>	<b>(4,699)</b>	<b>547</b>	<b>(38,883)</b>
<b>As at 31 December 2020</b>				
<b>(Audited)</b>				
<b>Assets and liabilities</b>				
Segment assets	4,250,678	274,472	146,020	4,671,170
Interest in associates	–	3,739	–	3,739
Deferred tax assets	2,474	–	25,997	28,471
<b>Total assets</b>	<b>4,253,152</b>	<b>278,211</b>	<b>172,017</b>	<b>4,703,380</b>
Segment liabilities	2,550,832	50,853	12,533	2,614,218
Deferred tax liabilities	76	–	5,626	5,702
<b>Total liabilities</b>	<b>2,550,908</b>	<b>50,853</b>	<b>18,159</b>	<b>2,619,920</b>
<b>Other segment information:</b>				
<b>Six months ended 30 June 2020</b>				
<b>(Unaudited)</b>				
Depreciation of property, plant and equipment	148,629	2,249	1,762	152,640
Depreciation of right-of-use assets	3,139	2,558	–	5,697
Capital expenditure	61,549	2,901	321	64,771



## 2. OPERATING SEGMENT INFORMATION (continued)

### Geographical information

(a) Revenue from external customers

	<b>Six months ended 30 June 2021 HK\$'000 (Unaudited)</b>	Six months ended 30 June 2020 HK\$'000 (Unaudited)
Korea	<b>753,596</b>	568,511
Mainland China	<b>429,473</b>	389,958
Taiwan	<b>305,160</b>	131,736
Singapore	<b>141,693</b>	69,368
Hong Kong	<b>89,292</b>	182,668
Bangladesh	<b>64,240</b>	77,698
Others	<b>252,829</b>	190,026
	<b>2,036,283</b>	1,609,965

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

(b) Non-current assets

	<b>30 June 2021 HK\$'000 (Unaudited)</b>	31 December 2020 HK\$'000 (Audited)
Mainland China	<b>1,570,741</b>	1,671,962
Hong Kong	<b>71,834</b>	66,361
Cambodia	<b>62,093</b>	62,600
Singapore	<b>562</b>	1,257
Others	<b>36,951</b>	37,558
	<b>1,742,181</b>	1,839,738

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



## 2. OPERATING SEGMENT INFORMATION (continued)

### Information about a major customer

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

## 3. REVENUE, OTHER INCOME AND GAINS, NET

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

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

	<b>Six months ended 30 June 2021 HK\$'000 (Unaudited)</b>	Six months ended 30 June 2020 HK\$'000 (Unaudited)
<b>Revenue from contracts with customers</b>		
Production and sale of knitted fabric and dyed yarn and provision of related subcontracting services	<b>1,860,152</b>	1,466,914
Production and sale of garment products and provision of related subcontracting services	<b>176,131</b>	143,051
	<b>2,036,283</b>	1,609,965



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

#### Disaggregated revenue information

For the six month ended 30 June 2021

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



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

#### Disaggregated revenue information (continued)

##### For the six month ended 30 June 2020

<b>Segments</b>	Fabric HK\$'000	Garment HK\$'000	Total HK\$'000
<b>Types of goods or services</b>			
Sale of goods	1,466,914	135,285	1,602,199
Subcontracting services	–	7,766	7,766
<b>Total revenue from contracts with customers</b>	<b>1,466,914</b>	<b>143,051</b>	<b>1,609,965</b>
<b>Geographical markets</b>			
Korea	568,511	–	568,511
Mainland China	386,215	3,743	389,958
Hong Kong	128,440	54,228	182,668
Singapore	56,053	13,315	69,368
Taiwan	131,736	–	131,736
Others	195,959	71,765	267,724
<b>Total revenue from contracts with customers</b>	<b>1,466,914</b>	<b>143,051</b>	<b>1,609,965</b>
<b>Timing of revenue recognition</b>			
At a point in time	1,466,914	143,051	1,609,965



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

	<b>Six months ended 30 June 2021 HK\$'000 (Unaudited)</b>	Six months ended 30 June 2020 HK\$'000 (Unaudited)
<b>Other income</b>		
Subsidy income from the Chinese and overseas governments	<b>2,584</b>	30,066
Sewage treatment provided	<b>10,778</b>	9,780
Bank interest income	<b>1,425</b>	3,779
Fee income from freight handling services	<b>5,305</b>	3,184
Others	<b>3,531</b>	1,822
	<b>23,623</b>	48,631
<b>Gains, net</b>		
Fair value gains/(losses), net:		
Financial assets at fair value through profit or loss – held for trading	<b>287</b>	(25)
Other income and gains, net	<b>23,910</b>	48,606



#### 4. PROFIT/(LOSS) BEFORE TAX

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

	<b>Six months ended 30 June 2021 HK\$'000 (Unaudited)</b>	Six months ended 30 June 2020 HK\$'000 (Unaudited)
Cost of inventories sold and services provided	<b>1,736,456</b>	1,467,812
Research and development costs	<b>65,983</b>	62,050
Depreciation of items of property, plant and equipment	<b>148,192</b>	152,640
Depreciation of right-of-use assets	<b>8,429</b>	5,697
Employee benefits expense (including directors' remuneration):		
Wages and salaries	<b>255,167</b>	234,008
Pension scheme contributions	<b>26,963</b>	17,428
	<b>282,130</b>	251,436
Gain on disposal of items of property, plant and equipment	<b>(15)</b>	–
Impairment of accounts receivable, net	<b>3,929</b>	13,134
Fair value losses/(gains), net:		
Financial assets at fair value through profit or loss – held for trading	<b>(287)</b>	25
Foreign exchange differences, net	<b>9,028</b>	(23,674)



## 5. INCOME TAX

	<b>Six months ended 30 June 2021 HK\$'000 (Unaudited)</b>	Six months ended 30 June 2020 HK\$'000 (Unaudited)
Current tax – Hong Kong		
Charge for the period	<b>7,806</b>	–
Current tax – Elsewhere		
Charge for the period	<b>1,292</b>	867
Deferred tax credit	<b>(197)</b>	(189)
Total tax charge for the period	<b>8,901</b>	678

Hong Kong profits tax has been provided on the estimated assessable profits arising in Hong Kong at the rate of 16.5% (six months ended 30 June 2020: 16.5%), except for one subsidiary of the Group which is qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2019/2020. The first HK\$2,000,000 (six months ended 30 June 2020: HK\$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

## 6. DIVIDEND

The Board has resolved not to declare any interim dividend for the Period (six months ended 30 June 2020: Nil).

## 7. EARNINGS/(LOSSES) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings/losses per share amount is based on the profit for the Period attributable to ordinary equity holders of the Company of HK\$39,519,000 (six months ended 30 June 2020: loss for HK\$37,862,000), and the number of 869,919,000 (six months ended 30 June 2020: 869,919,000) ordinary shares in issue during the Period.

The Group had no potentially dilutive ordinary shares in issue for the periods ended 30 June 2021 and 30 June 2020.



## 8. PROPERTY, PLANT AND EQUIPMENT

The changes in the net book value of property, plant and equipment for the six months ended 30 June 2021 are analysed as follows:

	HK\$'000
At 1 January 2021 (Audited)	1,575,354
Additions	51,159
Depreciation	(148,192)
Disposals	(294)
	<hr/>
At 30 June 2021 (Unaudited)	1,478,027

As at 30 June 2021, the Group was in the process of applying the building ownership certificates in respect of certain self-used properties with net book value of approximately HK\$4.1 million (31 December 2020: approximately HK\$4.4 million) and approximately HK\$35.4 million (31 December 2020: approximately HK\$37.4 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 located, and therefore are in the opinion that there is no legal barrier or otherwise for the Group to obtain the building ownership certificates from the relevant Mainland China authority.

## 9. ACCOUNTS AND BILLS RECEIVABLE

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



## 9. ACCOUNTS AND BILLS RECEIVABLE (continued)

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

	<b>30 June 2021 HK\$'000 (Unaudited)</b>	31 December 2020 HK\$'000 (Audited)
Within 1 month	<b>366,237</b>	400,168
1 to 2 months	<b>203,049</b>	242,608
2 to 3 months	<b>94,876</b>	80,453
Over 3 months	<b>85,055</b>	114,679
	<b>749,217</b>	837,908

## 10. ACCOUNTS AND BILLS PAYABLE

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

	<b>30 June 2021 HK\$'000 (Unaudited)</b>	31 December 2020 HK\$'000 (Audited)
Within 3 months	<b>562,526</b>	648,392
3 to 6 months	<b>125,505</b>	152,568
Over 6 months	<b>2,747</b>	1,179
	<b>690,778</b>	802,139

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



## 11. COMMITMENTS

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

### Capital commitments

	<b>30 June 2021 HK\$'000 (Unaudited)</b>	31 December 2020 HK\$'000 (Audited)
Contracted but not provided for:		
Purchases of machinery	<b>14,336</b>	4,546
Construction in progress	<b>24,081</b>	26,674
Construction of new manufacturing facilities	<b>192,989</b>	192,989
Construction of properties under development	<b>9,530</b>	9,530
	<b>240,936</b>	233,739

The Group had outstanding commitments amounting to HK\$231,521,000 (31 December 2020: HK\$396,899,000) as at the end of the reporting period in respect of irrevocable letters of credit.

## 12. RELATED PARTY TRANSACTIONS

- (a) The Group is still in the process of applying for the land use planning for construction work permit, construction project and planning permit, commencement of construction work permit in respect of a six-storey factory building, with a net book value of approximately HK\$0.8 million (31 December 2020: approximately HK\$0.9 million) as at 30 June 2021.

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 aforementioned buildings/structures.



## 12. RELATED PARTY TRANSACTIONS (continued)

- (b) Outstanding balances with a related party:

The Group's trade balance with its associate as at the end of the reporting period is repayable on credit terms similar to those offered to the major customers of the Group. Included in the Group's accounts receivable is an amount due from an associate of the Group of HK\$6,733,000 (31 December 2020: HK\$2,014,000).

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

	<b>Six months ended 30 June 2021 HK\$'000 (Unaudited)</b>	Six months ended 30 June 2020 HK\$'000 (Unaudited)
Short-term employee benefits	<b>13,355</b>	13,521
Post-employment benefits	<b>153</b>	195
	<b>13,508</b>	13,716

## 13. TRANSFERS OF FINANCIAL ASSETS

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

At 30 June 2021, the Group endorsed certain bank bills receivable in the PRC (the "Endorsed Bills") with a carrying amount of RMB1,270,000 (equivalent to HK\$1,512,000) (31 December 2020: RMB21,081,000 (equivalent to HK\$25,096,000)) to certain suppliers in order to settle the accounts payable due to such suppliers (the "Endorsement"). In the opinion of the directors, the Group has retained the substantial risk and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated accounts payable 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 settled by the Endorsed Bills during the Period to which the suppliers have recourse was RMB1,270,000 (equivalent to HK\$1,512,000) (31 December 2020: RMB21,081,000 (equivalent to HK\$25,096,000)) as at 30 June 2021.



### 13. TRANSFERS OF FINANCIAL ASSETS (continued)

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

At 30 June 2021, the Group endorsed certain bank bills receivable in the PRC (the “Derecognised Bills”) which were originally endorsed by its customers, to certain of its suppliers for settling the trade payables due to such suppliers with a carrying amount in aggregate of RMB42,436,000 (equivalent to HK\$50,519,000) (31 December 2020: RMB44,550,000 (equivalent to HK\$53,035,000)). The Derecognised Bills have a remaining maturity from 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 have a right of recourse against the Group if the PRC banks default (the “Continuing Involvement”). In the opinion of the directors of the Company, the Group has transferred substantially all risk and rewards related to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group’s Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors of the Company, the fair values of the Group’s Continuing Involvement in the Derecognised Bills are not significant.

During the periods ended 30 June 2021 and 30 June 2020, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the periods or cumulatively. The Endorsement has been made evenly throughout the periods ended 30 June 2021 and 30 June 2020.