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

Interim Report 2019

CONTENTS

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. Chong Chau Lam

Non-Executive Director

Dr. Wong Wai Kong

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. Lei Heong Man

Auditors

Ernst & Young
Certified Public Accountants

Company Website

www.kamhingintl.com

Registered Office

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

Head Office and Principal Place of Business in Hong Kong

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

Principal Share Registrar and Transfer Office in Cayman Islands

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

Branch Share Registrar and Transfer Office in Hong Kong

Tricor Investor Services Limited
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") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2019 (the "Period"). The interim financial information is not audited but has been reviewed by the audit committee of the Company (the "Audit Committee").

Market Review

In the first half of 2019, the United States (the "U.S.") economy witnessed a steady growth, amid intensifying trade disputes with China. U.S. buyers remained cautious in maintaining low-levels of inventory in distribution channels at the beginning of the year, and unfortunately they turned even more prudent in the second quarter when the trade war escalated in May which also brought The Conference Board's consumer confidence index to its lowest point in nearly two years.

In China, the government initiated measures to boost its economy including tax cut, in order to encourage domestic consumption and investment against the trade disputes. The Chinese consumer confidence index rose in February 2019 and remained at a high-level since then. The demand for textile and garment products was relatively stable. However, the imposition of tariffs on Chinese goods to U.S. had diverted some of the textile manufactures to re-focus on the Chinese market and had led to fiercer competition in the domestic market.

Business Overview

During the Period, the Group's business was affected by the growing uncertainties of global economic outlook. The overall revenue for the Period recorded a year-on-year decrease of 5.6%, from HK$2,149.0 million for the six months ended 30 June 2018 to HK$2,028.3 million; gross profit decreased by 2.6%, from HK$319.5 million for the six months ended 30 June 2018 to HK$311.2 million. Gross profit margin recorded a stable increment of 2.7 percentage point from 14.9% for the six months ended 30 June 2018 to 15.3%. Profit attributable to ordinary equity holders of the Company for the Period amounted to HK$44.5 million, representing a drop of 17.1% from HK$53.7 million for the six months ended 30 June 2018. The basic earnings per share for the Period was HK5.1 cents, decreased by 17.7% when compared with HK6.2 cents for the six months ended 30 June 2018.

Business Overview (continued)

For the first half of 2019, U.S. still remained as the Group's largest end-market with 60.7% revenue contribution. Despite the fact that the Group does not ship products directly to U.S. and does not suffer directly from the U.S. tariff, the ongoing U.S.-China trade frictions has disrupted the procurement pattern of the Group's brand customers in U.S.. The unexpected slow down on their buying plan had affected the Group's production schedule as well as efficiency in the second quarter. As a result, the production output was diminished for the first half and some of the unpredictable orders with very short production lead time also incurred additional distribution expenses, hurting the Group's profitability.

On the contrary, the demand in the Chinese market was relatively stable, especially for the higher ended markets for women's and children's apparel. The stability of the market also attracted the export manufacturers who suffered from the U.S. tariff to return, bringing more supply to the domestic market. While the market competition has become more intense, the Group maintained its presence with its quality product and delivery. For the first half of 2019, the Chinese market contributed 24.3% to the Group's revenue, remaining as its second largest end-market.

For the Period, revenue generated from the fabric business and garment business accounted for 91.8% and 8.2% of the overall revenue respectively. The knitted and functional fabrics were manufactured in the two production plants in Enping and Panyu of China, and the garments were produced in leased factories in Cambodia. It was encouraging that the garment business commenced full operation at the beginning of 2018, approaching its break-even point in the first half of 2019. In view of the flourishing garment market in Cambodia, the Group decided to build its own factories with greater capacity and design capability. Completion of the factories is expected to be in 2020.

Prospects

Entering the second half of 2019, the Group is cautious about the outlook of the textile industry as the U.S. – China trade war and other geopolitical conflicts continue. All these would possibly further weaken the global economy and consumption for the rest of the year. For the textile and garment industry, Chinese manufacturers are being challenged by both the U.S. tariff and the rising supply in other developing countries, such as Bangladesh and Vietnam, with lower labor and production costs. Under such backdrop, the Group will leverage on its core competence in production efficiency, on-time delivery, as well as production innovation to safeguard its leadership. Thanks to its established customer relationship, the Group remains as a reliable partner of its global brand customers. The Group is currently operating in flexible solution to fulfil the quick orders. In the future, the Group will further enhance the composition of its end markets and to reduce the regional concentration to mitigate operating risks.

The Group constantly reviews and adjusts its strategies according to market changes. Considering the uncertainties of global economic outlook, the Group decided to postpone the residential property development in Enping of China. This decision will allow the Group to focus its resources to develop the existing and profit-making operations in its core businesses and to stay financially strong to endure the possible downward economic cycle.

Financial Review

Revenue

Overall sales turnover reached approximately HK$2,028.3 million, representing a decrease of approximately 5.6% (six months ended 30 June 2018: HK$2,149.0 million). The decrease was mainly caused by the decrease in sales order due to unpredictable market demand.

Financial Review (continued)

Gross Profit and Gross Profit Margin

Gross profit was approximately HK$311.2 million, representing a decrease of approximately 2.6% (six months ended 30 June 2018: approximately HK$319.5 million). Gross profit margin increased slightly to approximately 15.3% (six months ended 30 June 2018: approximately 14.9%), which was mainly attributable to improvement on product mix.

Other Income and Expenses

Other income of approximately HK$19.7 million (six months ended 30 June 2018: approximately HK$15.2 million) mainly comprised approximately HK$10.4 million (six months ended 30 June 2018: approximately HK$4.0 million) from income received from sewage treatment provided, approximately HK$4.8 million (six months ended 30 June 2018: approximately HK$3.8 million) from fee on air and ocean freight, approximately HK$0.8 million (six months ended 30 June 2018: approximately HK$2.8 million) from sales of scrap, and approximately HK$2.3 million subsidy income from the Chinese government during the Period (six months ended 30 June 2018: Nil). The remaining balance was primarily the result of rental income and bank interest income, etc.

Selling and distribution expenses decreased to approximately HK$55.8 million (six months ended 30 June 2018: approximately HK$60.2 million), which is in line with the decrease in sales. Administrative expenses, which included salaries, depreciation, customs declaration and other related expenses, increased to approximately HK$163.0 million (six months ended 30 June 2018: approximately HK$162.3 million) due to the expansion of the Company's business.

Net Profit and Net Profit Margin

Net profit attributable to ordinary equity holders of the Company for the Period was approximately HK$44.5 million, representing a decrease of approximately 17.1% (six months ended 30 June 2018: approximately HK$53.7 million). The decrease in net profit was mainly due to the lower sales volume especially in fabric sales. Moreover, there was an increase in interest rate for the Period compare to the corresponding period in 2018 which increased the finance cost for the Period. Net profit margin decreased to approximately 2.2% (six months ended 30 June 2018: approximately 2.5%).

Liquidity and Financial Resources

As at 30 June 2019, the Group's net current assets were approximately HK$581.7 million (31 December 2018: approximately HK$657.5 million). The decrease in net current assets was mainly due to reclassification of the first repayment of syndicated loan due in August 2019 to current liabilities. 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 30 June 2019, the Group had cash and cash equivalents of approximately HK$488.0 million (31 December 2018: approximately HK$558.2 million). Current ratio was approximately 1.3 times (31 December 2018: approximately 1.3 times).

As at 30 June 2019, total bank and other borrowings of the Group were approximately HK$1,862.1 million (31 December 2018: approximately HK$2,003.6 million). The Group's net debt gearing ratio (net debts divided by the sum of equity and net debts) was approximately 52.2% (31 December 2018: approximately 55.9%). Net debts comprise all interest-bearing bank and other borrowings, accounts and bills payable, an amount due to an associate, lease liabilities and accrued liabilities and other payables less cash and cash equivalents. Sum of equity comprises owners' equity as stated in the consolidated financial statements.

The Group have entered into a 3.5-year term loan facility of HK$1,300 million dated 19 August 2019 for repaying an existing term loan facility, supplying additional working capital and financing future expansion of production capacity. Due to this refinancing exercise, the interest-bearing bank and other borrowings which are classified as current liabilities will be replaced by such long term loans and this helps to notably improve the liquidity and current ratio of the Group.

Financing

As at 30 June 2019, the Group's long-term loans were approximately HK$645.2 million (31 December 2018: approximately HK$827.6 million), comprising syndicated loan and term loans from banks. The decrease in long-term loans was mainly due to reclassification of the first repayment of syndicated loan due in August 2019 to current liabilities. There was no equity fund raising activity during the Period and there was no utilized proceeds brought forward from any issue of equity securities made in previous financial years.

Interim Dividend

The Board has resolved not to recommend the payment of an interim dividend for the Period (six months ended 30 June 2018: Nil).

Foreign Exchange Risk and Interest Rate Risk

Approximately 63.8% (six months ended 30 June 2018: approximately 61.7%) 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 2019, none of the Group's land and buildings (31 December 2018: HK$56.8 million) was pledged to secure any bank loan (31 December 2018: HK$9.9 million) granted to the Group.

Financial Review (continued)

Capital Expenditure

For the Period, the Group invested approximately HK$92.4 million (six months ended 30 June 2018: approximately HK$132.4 million) in capital expenditure of which approximately 92.6% (six months ended 30 June 2018: approximately 94.7%) was used for the purchase of plant and machinery, approximately 0.3% (six months ended 30 June 2018: approximately 0.4%) 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 2019, the Group had capital commitments of approximately HK$32.9 million (31 December 2018: approximately HK$33.7 million) in property, plant and equipment and approximately HK$184.2 million (31 December 2018: approximately HK$184.2 million) in construction of new manufacturing facilities. All were funded or will be funded by internal resources.

Contingent Liabilities

As at 30 June 2019, the Group did not have any significant contingent liabilities (31 December 2018: Nil).

Staff Policy

The Group had 5,901 (31 December 2018: 5,895) employees in the People's Republic of China (the "PRC"), 1,901 employees in Cambodia (31 December 2018: 1,606) and 138 employees in Hong Kong, Macau, Singapore, Korea and others as at 30 June 2019 (31 December 2018: 142). 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.

Financial Review (continued)

Staff Policy (continued)

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 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 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.

Material Acquisition and Disposal

There was no material acquisition and disposal of subsidiaries and associates by the Group during the Period.

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.

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

Mr. Wu Tak Lung, an independent non-executive director, resigned as the independent executive director of Olympic Circuit Technology Company Limited (stock code: 603920), a company listed in Shanghai since 22 May 2019.

Directors' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2019, 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:

		Capacity and nature of interest				
Name of director	Notes	**Beneficial owner** (shares)	**Interest of spouse** (shares)	**Interest in controlled corporation** (shares)	**Total interests** (shares)	**Approximate percentage of the Company's issued share capital** (%)
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. Chong Chau Lam		300,000	–	–	300,000	0.03

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 2019, 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. 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 2019.

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 2019, 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 30 June 2019, 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 of the Company. 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 Period.

Approval of the Unaudited Interim Financial Statements

The unaudited interim financial statements were approved and authorised for issue by the Board on 30 August 2019.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

	Notes	**Six months ended 30 June 2019 HK$'000 (Unaudited)**	Six months ended 30 June 2018 HK$'000 (Unaudited)
REVENUE	2, 3	**2,028,330**	2,149,004
Cost of sales		**(1,717,119)**	(1,829,481)
Gross profit		**311,211**	319,523
Other income and gains, net	3	**19,653**	15,160
Selling and distribution expenses		**(55,816)**	(60,212)
Administrative expenses		**(162,992)**	(162,254)
Other operating expenses, net		**(20,931)**	(5,460)
Finance costs		**(39,089)**	(31,426)
PROFIT BEFORE TAX	4	**52,036**	75,331
Income tax expense	5	**(7,512)**	(21,674)
PROFIT FOR THE PERIOD		**44,524**	53,657
Attributable to:			
Ordinary equity holders of the Company		**44,539**	53,694
Non-controlling interests		**(15)**	(37)
		44,524	53,657
Interim dividend	6	**Nil**	Nil
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	7	**HK5.1 cents**	HK6.2 cents
Diluted	7	**HK5.1 cents**	HK6.2 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Six months ended 30 June 2019 HK$'000 (Unaudited)	Six months ended 30 June 2018 HK$'000 (Unaudited)
PROFIT FOR THE PERIOD	**44,524**	53,657
OTHER COMPREHENSIVE INCOME		
Other comprehensive income may be reclassified to profit or loss in subsequent periods:		
Realisation of exchange fluctuation reserve upon deregistration of a subsidiary	**–**	356
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**44,524**	54,013
Attributable to:		
Ordinary equity holders of the Company	**44,539**	54,050
Non-controlling interests	**(15)**	(37)
	44,524	54,013

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	**30 June 2019 HK$'000 (Unaudited)**	31 December 2018 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	**1,821,981**	1,896,746
Right-of-use assets		**163,763**	–
Prepaid land lease payments		**–**	118,135
Goodwill		**–**	–
Interest in an associate		**–**	–
Prepayments		**6,005**	6,163
Long term receivables		**32,860**	32,444
Deposits paid		**24,573**	32,454
Deferred tax assets		**29,237**	29,236
Total non-current assets		**2,078,419**	2,115,178
CURRENT ASSETS			
Properties under development		**55,175**	42,846
Inventories		**1,157,882**	1,127,358
Accounts and bills receivables	9	**767,403**	990,548
Prepayments, deposits and other receivables		**35,934**	67,549
Financial assets at fair value through profit or loss		**148**	160
Tax recoverable		**10,277**	7,742
Pledged deposits		**37,901**	58,967
Cash and cash equivalents		**488,005**	558,249
Total current assets		**2,552,725**	2,853,419

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(continued)

As at 30 June 2019

	Notes	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
CURRENT LIABILITIES			
Accounts and bills payable	10	**580,049**	781,794
Accrued liabilities and other payables		**149,352**	228,155
Due to an associate		**1,146**	1,926
Tax payable		**10,955**	8,062
Bank advance for discounted bills		**6,246**	–
Interest-bearing bank borrowings		**1,216,918**	1,176,001
Lease liabilities		**6,349**	–
Total current liabilities		**1,971,015**	2,195,938
NET CURRENT ASSETS		**581,710**	657,481
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,660,129**	2,772,659
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**645,189**	827,593
Lease liabilities		**38,612**	–
Deferred tax liabilities		**6,020**	6,210
Total non-current liabilities		**689,821**	833,803
Net assets		**1,970,308**	1,938,856
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital		**86,992**	86,992
Reserves		**1,884,443**	1,854,491
		1,971,435	1,941,483
Non-controlling interests		**(1,127)**	(2,627)
Total equity		**1,970,308**	1,938,856

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to ordinary equity holders of the Company									
	Issued capital HK$'000 (unaudited)	**Share premium account** HK$'000 (unaudited)	**Capital reserve** HK$'000 (unaudited)	**Statutory surplus reserve** HK$'000 (unaudited)	**Other reserve** HK$'000 (unaudited)	**Exchange fluctuation reserve** HK$'000 (unaudited)	**Retained profits** HK$'000 (unaudited)	**Total** HK$'000 (unaudited)	**Non-controlling interests** HK$'000 (unaudited)	**Total equity** HK$'000 (unaudited)
At 1 January 2018	86,992	446,105	104,804	53,378	(12,126)	194,124	1,176,881	2,050,158	1,732	2,051,890
Profit for the period	–	–	–	–	–	–	53,694	53,694	(37)	53,657
Other comprehensive income for the period:										
Realisation of exchange fluctuation reserve upon deregistration of a subsidiary	–	–	–	–	–	356	–	356	–	356
Total comprehensive income for the period	–	–	–	–	–	356	53,694	54,050	(37)	54,013
At 30 June 2018	86,992	446,105	104,804	53,378	(12,126)	194,480	1,230,575	2,104,208	1,695	2,105,903
At 1 January 2019	**86,992**	**446,165**	**104,804**	**60,237**	**(12,126)**	**25,672**	**1,229,799**	**1,941,483**	**(2,627)**	**1,938,856**
Profit for the period and total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**44,539**	**44,539**	**(15)**	**44,524**
Acquisition of non-controlling interest	**–**	**–**	**–**	**–**	**12,093**	**(1,685)**	**(11,946)**	**(1,538)**	**1,515**	**(23)**
Final 2018 dividend declared	**–**	**–**	**–**	**–**	**–**	**–**	**(13,049)**	**(13,049)**	**–**	**(13,049)**
At 30 June 2019	**86,992**	**446,105**	**104,804**	**60,237**	**(33)**	**23,987**	**1,249,343**	**1,971,435**	**(1,127)**	**1,970,308**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended 30 June 2019 HK$'000 (Unaudited)	Six months ended 30 June 2018 HK$'000 (Unaudited)
NET CASH FLOW (USED IN)/FROM OPERATING ACTIVITIES	**133,783**	(207,887)
Purchases of items of property, plant and equipment	**(92,047)**	(132,445)
Other cash flow from investing activities	**28,263**	9,630
NET CASH FLOW USED IN INVESTING ACTIVITIES	**(63,784)**	(122,815)
Drawdown of bank loans	**686,351**	1,462,089
Repayment of bank loans	**(829,981)**	(1,016,360)
Principal portion of lease payments	**(2,859)**	–
Other cash flow from financing activities	**6,246**	32,906
NET CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES	**(140,243)**	478,635
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(70,244)**	147,933
Cash and cash equivalents at beginning of period	**558,249**	421,723
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**488,005**	569,655
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**488,005**	569,655

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1.1 BASIS OF PRESENTATION

The condensed consolidated interim financial statements for the six months ended 30 June 2019 has 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 2018, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") effective as of 1 January 2019.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 *Leases*, the new and revised standards are not relevant to the preparation of the Group's condensed consolidated interim financial statements. the nature and impact of the new and revised HKFRSs are described below:

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases - Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g. property management services for leases of properties) as a single lease component.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for leasehold lands, properties and plant and equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payment, discounted using the incremental borrowing rate at 1 January 2019.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. This includes the lease assets of HK$118,150,000 and HK$3,250,000 that were reclassified from prepaid land lease payments and prepayments, deposits and other receivables respectively.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

As a lessee – Leases previously classified as operating leases (continued)

Impacts on transition (continued)

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease
- Use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- Excluded the initial direct costs from the measurement of the right of use asset at date of initial application

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) HK$'000 (Unaudited)
Assets	
Increase in right-of-use assets	168,465
Decrease in prepaid land lease payments	(118,135)
Decrease in prepayments, deposits and other receivables	(3,250)
Increase in total assets	47,080
Liabilities	
Increase in lease liabilities	47,080
Increase in total liabilities	47,080

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	HK$'000 (Unaudited)
Operating lease commitments as at 31 December 2018	48,133
Weighted average incremental borrowing rate as at 1 January 2019	4.2%
Discounted operating lease commitments as at 1 January 2019	38,066
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	(1,210)
Commitments relating to leases of low-value assets	(5)
Payments for optional extension periods not recognised as at 31 December 2018	10,229
Lease liabilities as at 1 January 2019	47,080

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. 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. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

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 payment include fixed payments (including in-substance fixed payment) 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 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.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

Summary of new accounting policies (continued)

Lease liabilities (continued)

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if 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 future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any period covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. It considers all relevant factors that create an economic incentive for it to exercise the renewal. After the lease commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within the control of the Group and affects its ability to exercise the option to renew.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

The carrying amounts of the Group's right-of-use assets and lease liabilities and the movement during the period are as follow:

	Right-of-use assets			
	Land and buildings HK$'000 (unaudited)	Plant and machinery HK$'000 (unaudited)	Total HK$'000 (unaudited)	Lease liabilities HK$'000 (unaudited)
At 1 January 2019	167,060	1,405	168,465	47,080
Additions	740	–	740	740
Depreciation charge	(4,408)	(1,034)	(5,442)	–
Interest expense	–	–	–	963
Payment	–	–	–	(3,822)
At 30 June 2019	163,392	371	163,763	44,961

The Group recognised rental expenses from short-term leases of HK$202,000 and leases of low-value assets of HK$5,000 for the six months ended 30 June 2019.

1.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective for the current reporting period.

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)

For the year ended 31 December 2018, the Group redefined its business divisions to align with the Group's operation development. Accordingly, the segment information of certain subsidiaries previously included in fabric products segment has been reclassified to "others" segment. Moreover, the segment information of certain subsidiaries previously included in "others" segment has been reclassified to garment products segment due to expansion of the Group's garment manufacturing and trading operation during the Period. Accordingly, certain comparative operating segment information has been reclassified to conform with current period's presentation.

	Fabric HK$'000	Garment HK$'000	Others HK$'000	Total HK$'000
Six months ended 30 June 2019 (Unaudited)				
Segment revenue:				
Revenue from external customers	1,861,716	166,614	–	2,028,330
Intersegment sales	36,085	–	–	36,085
	1,897,801	166,614	–	2,064,415
Elimination of intersegment sales				(36,085)
				2,028,330
Segment profits/(losses)	91,529	683	(1,533)	90,679
Bank interest income	427	7	12	446
Finance costs	(38,103)	(986)	–	(39,089)
Profit/(loss) before tax	53,853	(296)	(1,521)	52,036
Income tax credit/(expense)	(7,702)	–	190	(7,512)
Profit for the period	46,151	(296)	(1,331)	44,524
As at 30 June 2019 (Unaudited)				
Assets and liabilities				
Segment assets	4,231,228	231,330	139,349	4,601,907
Deferred tax assets	7,973	903	20,361	29,237
Total assets	4,239,201	232,233	159,710	4,631,144
Segment liabilities	2,571,218	78,081	5,517	2,654,816
Deferred tax liabilities	79	–	5,941	6,020
Total liabilities	2,571,297	78,081	11,458	2,660,836
Other segment information:				
Six months ended 30 June 2019 (Unaudited)				
Depreciation and amortisation	167,575	1,992	2,017	171,584
Capital expenditure	92,921	2,066	2,980	97,967

2. OPERATING SEGMENT INFORMATION (continued)

	Fabric HK$'000	Garment HK$'000	Others HK$'000	Total HK$'000
	(Restated)	(Restated)	(Restated)	
Six months ended 30 June 2018 (Unaudited)				
Segment revenue:				
Revenue from external customers	2,078,906	70,098	–	2,149,004
Segment profits/(losses)	104,280	(65)	2,377	106,592
Bank interest income	160	2	3	165
Finance costs	(31,186)	(240)	–	(31,426)
Profit/(loss) before tax	73,254	(303)	2,380	75,331
Income tax credit/(expense)	(21,711)	–	37	(21,674)
Profit for the period	51,543	(303)	2,417	53,657
As at 31 December 2018 (Audited)				
Assets and liabilities				
Segment assets	4,622,960	167,944	148,457	4,939,361
Deferred tax assets	3,519	903	24,814	29,236
Total assets	4,626,479	168,847	173,271	4,968,597
Segment liabilities	2,925,659	81,744	16,128	3,023,531
Deferred tax liabilities	79	–	6,131	6,210
Total liabilities	2,925,738	81,744	22,259	3,029,741
Other segment information:				
Six months ended 30 June 2018 (Unaudited)				
Depreciation and amortisation	164,371	893	2,041	167,305
Capital expenditure	130,565	1,697	184	132,446

2. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	Six months ended 30 June 2019 HK$'000 (Unaudited)	Six months ended 30 June 2018 HK$'000 (Unaudited)
Korea	**576,207**	630,851
Mainland China	**556,237**	576,318
Hong Kong	**304,634**	263,772
Taiwan	**217,266**	174,334
Singapore	**95,900**	156,262
Others	**278,086**	347,467
	2,028,330	2,149,004

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

(b) Non–current assets

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Mainland China	**1,920,127**	1,911,148
Cambodia	**51,580**	44,736
Hong Kong	**21,399**	74,559
Singapore	**283**	122
Others	**22,933**	22,933
	2,016,322	2,053,498

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

Information about a major customer

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

3. REVENUE, OTHER INCOME AND GAINS, NET

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

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

	Six months ended 30 June 2019 HK$'000 (Unaudited)	Six months ended 30 June 2018 HK$'000 (Unaudited)
Revenue		
Production and sale of knitted fabric and dyed yarn and provision of related subcontracting services	**1,861,716**	2,078,906
Production and sale of garment products and provision of related subcontracting services	**166,614**	70,098
	2,028,330	2,149,004
Other income		
Fee income from freight handling services	**4,805**	3,761
Bank interest income	**446**	165
Gross rental income	**188**	155
Others	**14,226**	11,221
	19,665	15,302
Gains, net		
Fair value gains/(losses), net:		
Financial assets at fair value through profit or loss – held for trading	**(12)**	(142)
Other income and gains, net	**19,653**	15,160

4. PROFIT BEFORE TAX

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

	Six months ended 30 June 2019 HK$'000 (Unaudited)	Six months ended 30 June 2018 HK$'000 (Unaudited)
Cost of inventories sold and services provided	**1,717,119**	1,829,481
Research and development costs	**22,597**	6,408
Depreciation of items of property, plant and equipment	**166,142**	165,548
Depreciation of right-of-use assets	**5,442**	–
Amortisation of prepaid land lease payments	**–**	1,757
Employee benefits expense (including directors' remuneration):		
Wages and salaries	**258,916**	255,220
Pension scheme contributions	**28,658**	27,539
	287,574	282,759
Loss on disposal of items of property, plant and equipment	**135**	30
Impairment of accounts receivable, net	**5,182**	(1,512)
Fair value losses/(gains), net:		
Financial assets at fair value through profit or loss – held for trading	**12**	142
Loss on deregistration of a subsidiary	**–**	356
Foreign exchange differences, net	**4,914**	2,728

5. INCOME TAX

	Six months ended 30 June 2019 HK$'000 (Unaudited)	Six months ended 30 June 2018 HK$'000 (Unaudited)
Current tax – Hong Kong		
Charge for the period	**5,629**	4,322
Current tax – Elsewhere		
Charge for the period	**2,073**	6,398
Underprovision in prior years	**–**	10,841
Deferred tax expenses/(credit)	**(190)**	113
Total tax charge for the period	**7,512**	21,674

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 2018: 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 2018: Nil).

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

The calculation of basic earnings per share amount is based on the profit for the Period attributable to ordinary equity holders of the Company of HK$44,539,000 (six months ended 30 June 2018: HK$53,694,000), and the number of 869,919,000 (six months ended 30 June 2018: 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 2019 and 30 June 2018.

8. PROPERTY, PLANT AND EQUIPMENT

The changes in the net book value of property, plant and equipment for the six months ended 30 June 2019 are analysed as follows:

	HK$'000
At 1 January 2019 (Audited)	1,896,746
Additions	92,047
Disposals	(670)
Depreciation	(166,142)
At 30 June 2019 (Unaudited)	1,821,981

As at 30 June 2019, 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$5.3 million (31 December 2018: approximately HK$5.4 million) and approximately HK$41.3 million (31 December 2018: approximately HK$106.7 million) situated in Panyu 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:

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Within 1 month	**303,039**	399,424
1 to 2 months	**167,166**	224,629
2 to 3 months	**112,099**	144,496
Over 3 months	**185,099**	221,999
	767,403	990,548

10. ACCOUNTS AND BILLS PAYABLE

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

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Within 3 months	**507,385**	650,850
3 to 6 months	**71,317**	129,307
Over 6 months	**1,347**	1,637
	580,049	781,794

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

11. COMMITMENTS

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

Capital commitments

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Contracted but not provided for:		
Purchases of machinery	**14,414**	6,346
Purchase of land and buildings	**–**	545
Construction in progress	**18,484**	26,791
Construction of new manufacturing facilities	**184,217**	184,217
Construction of properties under development	**11,109**	15,258
	228,224	233,157

The Group had outstanding commitments amounting to HK$76,146,000 (31 December 2018: HK$138,641,000) 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$1.2 million (31 December 2018: approximately HK$1.2 million) as at 30 June 2019.

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.

(b) Outstanding balances with related party:

Details of the Group's balances with its associate as at the end of the reporting period is unsecured, interest–free and has no fixed terms of repayment.

12. RELATED PARTY TRANSACTIONS (continued)

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

	Six months ended 30 June 2019 HK$'000 (Unaudited)	Six months ended 30 June 2018 HK$'000 (Unaudited)
Short–term employee benefits	**13,147**	12,440
Post–employment benefits	**81**	81
	13,228	12,521

13. TRANSFERS OF FINANCIAL ASSETS

Transferred financial assets that are not derecognised in their entirety

At 30 June 2019, the Group endorsed certain bank bills receivable in the PRC (the "Endorsed Bills") with a carrying amount of RMB47,529,000 (equivalent to HK$54,010,000) (31 December 2018: RMB7,401,000 (equivalent to HK$8,410,000)) to certain suppliers in order to settle the accounts payable due to such suppliers (the "Endorsement"). In the opinion of the directors, the Group has retained the substantial risk and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated accounts payable settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of accounts payable settled by the Endorsed Bills during the Period to which the suppliers have recourse was RMBNil (equivalent to HK$Nil) (31 December 2018: RMB7,401,000 (equivalent to HK$8,410,000)) as at 30 June 2018.

13. TRANSFERS OF FINANCIAL ASSETS (continued)

Transferred financial assets that are derecognised in their entirety

At 30 June 2019, 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 RMB38,155,000 (equivalent to HK$43,358,000) (31 December 2018: RMB74,310,000 (equivalent to HK$84,443,000)). 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 2019 and 30 June 2018, 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 2019 and 30 June 2018.