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

2019 Annual Report

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 (resigned on 1 January 2020)
Mr. Lei Heong Man (appointed on 1 January 2020)

Non-Executive Director

Dr. Wong Wai Kong

Independent Non-Executive Directors

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

COMPANY SECRETARY

Mr. Lei Heong Man

AUDITOR

Ernst & Young
Certified Public Accountants

REGISTERED OFFICE

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

COMPANY WEBSITE

www.kamhingintl.com

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL BANKERS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

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

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

STOCK CODE

The Stock Exchange of Hong Kong Limited: 02307

FINANCIAL HIGHLIGHTS AND SUMMARY

KEY FINANCIAL DATA

	For the year ended/As at 31 December				
	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019** **HK$'000**
Revenue	4,152,733	3,662,622	4,192,896	4,650,958	**4,350,664**
EBITDA (note 1)	465,346	461,296	461,240	494,174	**496,408**
Equity attributable to ordinary equity holders of the Company	1,991,490	1,820,054	2,050,158	1,941,483	**1,990,763**
Net profit attributable to ordinary equity holders of the Company (notes 2, 3, 4, 5)	57,714	74,995	62,835	73,182	**63,867**
Dividends per share (HK cents)	1.5	1.5	1.5	1.5	**1.5**

KEY FINANCIAL RATIOS

	For the year ended/As at 31 December				
	2015	2016	2017	2018	**2019**
Gross profit margin (%)	15.4	13.9	12.3	12.5	**13.6**
Net profit margin (%)	1.5	2.0	1.5	1.5	**1.4**
Gearing ratio (net debt/capital and net debt) (%)	51.8	53.2	52.1	55.9	**50.7**

Notes:

(1) EBITDA refers to profit before interest, tax, depreciation and amortisation

(2) Excluding the one-off gain of HK$0.5 million in relation to the disposal of subsidiaries in 2015

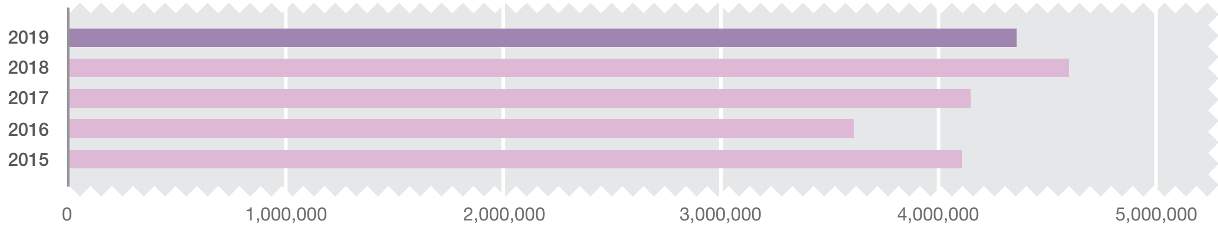
(3) Excluding the one-off gain, net, of HK$1.7 million in relation to the deregistration of subsidiaries in 2017

(4) Excluding the one-off loss of HK$0.4 million in relation to the deregistration of subsidiaries in 2018

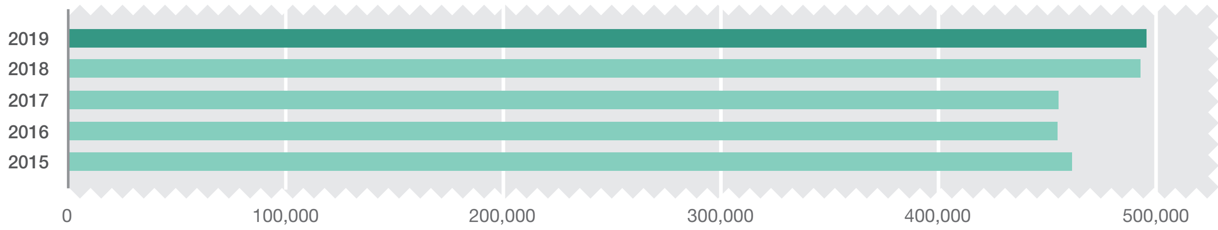
(5) Excluding the one-off loss of HK$3.8 million in relation to the deregistration of subsidiaries in 2019

FINANCIAL HIGHLIGHTS AND SUMMARY

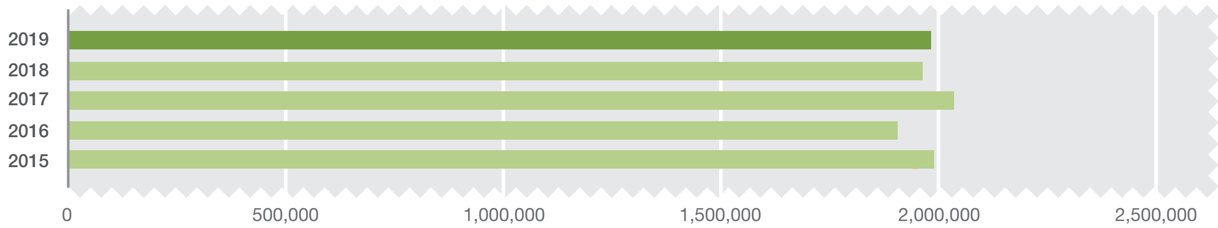
REVENUE
HK$'000



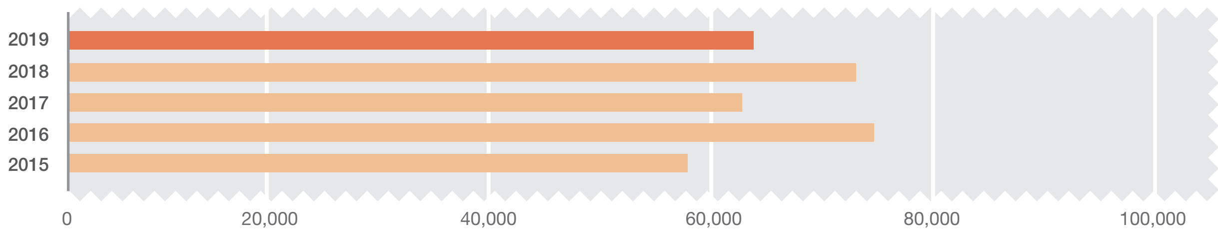
PROFIT BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION ("EBITDA")
HK$'000



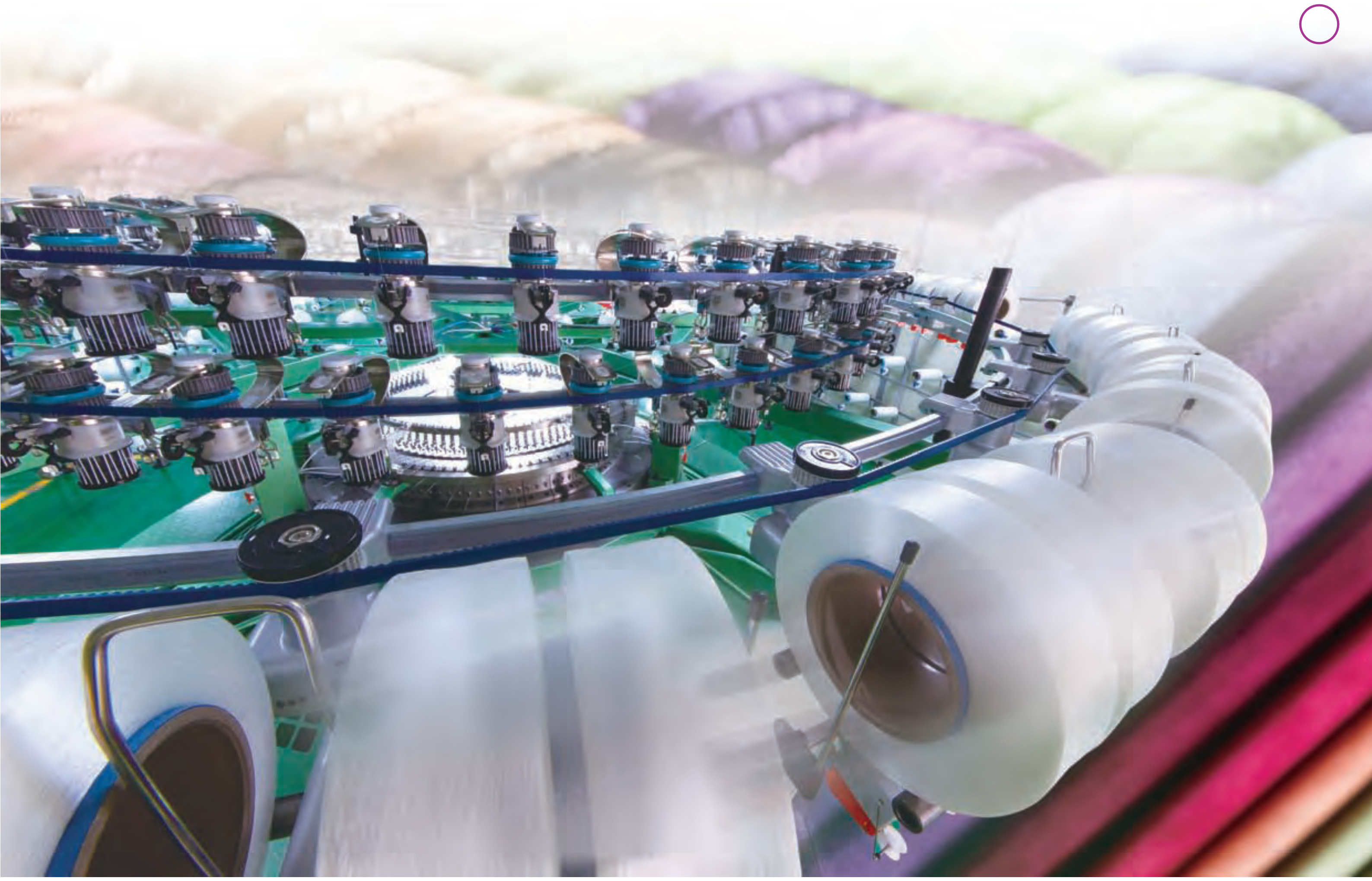
SHAREHOLDERS' FUNDS
HK$'000



NET PROFIT ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY
HK$'000



CHAIRMAN'S STATEMENT



On behalf of the board of Directors (the "Board") of Kam Hing International Holdings Limited (the "Company", together with its subsidiaries, collectively the "Group"), I would like to present to our valued shareholders the annual results for the year ended 31 December 2019 (the "Year").

In 2019, the economies of the two key contributing markets of the Group, the United States (the "U.S.") and China, were inevitably impacted their escalating trade tension. The pessimistic global economic outlook continued to cast shadow over their consumer sentiment in 2019. According to the General Administration of Customs of People's Republic of China , Chinese textile and garment exports to U.S. dropped by 7.12% year-on-year ("YoY") in 2019, and China GDP slowed to 6.1%, which was the weakest growth since 1990. Being one of the major players in the textile exports in China, we clearly felt the distress. The Group's revenue for the Year recorded a year-on-year ("YoY") decrease of 6.5%, from approximately HK$4,651.0 million to approximately HK$4,350.7 million; the U.S. and China markets contributed 60.3% and 23.9% to the Group's revenue respectively.

However, previous efforts in accelerating our geographical expansion in early years have paid off. Our garment manufacturing in Cambodia recorded a surge of nearly 100% in its sales for the Year after its establishment in 2017. Together with our textile operations in China, we offered value-added integrated solutions to our customers and gained new orders with higher margin and larger in size and certain new businesses, which alleviated the impact from the trade war. Against such complicated business environment, we were able to maintain our profitability that the net profit attributable to ordinary equity holders achieved HK$60.1 million, and the Board has resolved to recommend the payment of final dividend of HK1.5 cents per share (2018: HK1.5 cents), subject to the approval by the shareholders at the forthcoming annual meeting of the Company.

CHAIRMAN’S STATEMENT

PROSPECTS

After more than a year of intense negotiations, the U.S. and China signed the initial phase of a trade deal as we entered into 2020. It certainly calmed the global markets and reached temporary détentes. However, the outbreak of the Covid-19 pandemic in the first quarter of 2020 has undoubtedly disrupted supply chains, businesses and consumptions all around the world. The Chinese government issued notices in early February to extend the Chinese New Year holiday in China. As part of our efforts to facilitate the prevention and ensure the health and safety of our employees, we complied with the relevant government requirements by suspending the operation of our factories in Nansha and Enping, Guangdong temporarily. Since 10 February, the two production bases have resumed operations. We expect the outbreak of the Covid-19 pandemic would slightly weaken our performance for the first half of 2020 and we will closely monitor the situation and deploy necessary measures to combat the challenges. In the meantime, we will continue to enhance our own-self and carry out the following development strategies progressively to weather the storm:

- **Stay financially strong with stringent internal control and optimisation**

  In preparation for a possible recession brought by the outbreak, the Group will implement more stringent cost control measures across different production bases, and through higher level of automation and digitalisation to optimise its operations and uplift our productivity and efficiency. Coupled with rigorous financial discipline, the Group would stay financially fit for different economic cycles.

- **Continue to strike in becoming an integrated textile solution provider in Asia**

  Leveraging on its existing resources and production capacity to form a strategic production triangle in Asia, including core fabric knitting facilities in Nansha and Enping in China, the expanding garment production complex in Cambodia, as well as the new textile factory in Vietnam now under construction, the Group will be able to offer more comprehensive and sophisticated total solutions to attract new businesses from international brands for bulk purchase and high value orders. The factory in Cambodia is expected to keep its momentum to support the supply chains nearby and absorb new businesses.

- **Uphold the core values to enhance competitiveness**

  In the highly complex and dynamic economic environment, we will continue to adhere to the Group’s core business values for its customers, which are (1) improving product quality; (2) introducing technology for production innovations; (3) ensuring on-time delivery by production process optimisation; and (4) securing sustainable and reliable partnership.

2020 will be a tough year along with the continuing impact of the Covid-19 pandemic outbreak. There will be damages to some sectors and ripple effects over the global economy. We will stay strong, calm and resilient with our long-standing values in order to maintain profitability and sustainability during this time of unprecedented uncertainty.

APPRECIATION

Taking this opportunity, on behalf of the Board of Directors, I would like to express my sincere gratitude to the shareholders and investors of the Company, business partners, customers and suppliers of the Group for their continuing support and to thank the Group’s management team and all employees for their dedication and contribution.

Tai Chin Chun
Chairman

30 March 2020

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In 2019, the intensification of the U.S.-China trade war during the first half of the Year had dampened the overall economic outlook for the U.S., with the Conference Board's consumer confidence index recorded as 121.5 in June, the lowest level since September 2017. Textile and garment buyers in the U.S. therefore turned prudent amidst uncertain trade conditions. Towards the end of 2019, however, the trade disputes showed signs of winding down, leading to a slight recovery of sentiments with consumer confidence index rose to 126.5 in December 2019. For the Year, the textile and garment industry generally remained cautious with procurement as several sets of tariffs affecting the industry remained in place.

As for China, its economic growth rate slowed down to 6.1% in 2019, according to the National Bureau of Statistics, as a result of the U.S. tariffs throughout the Year causing pressure to many industries, especially the manufacturing and export sectors. Many export players redirected their focuses back to China, which had sparked fierce domestic competition. At the same time, China continued to tighten environmental regulations on the textile, dyeing and finishing industry, which had caused further market consolidation. With the Group's exceptional core competencies, scale and expertise, this round of market consolidation presented the Group opportunities for stronger market presence.

BUSINESS OVERVIEW

The overall revenue for 2019 recorded a year-on-year decrease of 6.5%, from HK$4,651.0 million in 2018 to HK$4,350.7 million in 2019 with gross profit increased by 1.8%, from HK$580.7 million in 2018 to HK$591.1 million in 2019. Gross profit margin recorded an increment of 1.1 percentage points from 12.5% in 2018 to 13.6% in 2019. Profit attributable to ordinary equity holders of the Company for the Year amounted to HK$60.1 million, representing a decrease of 17.4% from HK$72.8 million in 2018. The basic earnings per share for the Year was HK6.9 cents, decreased by 17.9% when compared with HK8.4 cents in 2018.

For the Year, revenue generated from the fabric business and garment business accounted for 90.6% and 9.4% of the overall revenue respectively. The Group's two production plants in Enping and Nansha in China continued to manufacture knitted and functional fabrics during the Year, while the factories in Cambodia manufactured garment products. During the Year, the fabric business has suffered from the sluggish demand resulted from the weakened global market sentiment amid the trade war. The China market competition has also become intense as Chinese exporters have turned to the domestic market to hedge against the global economic swings. As a result, revenue of the fabric business decreased by 11.4% year-on-year for 2019. On the other hand, the garment business achieved a growth of 99.5% year-on-year as the Cambodia production base had turned profitable for the Year, despite that it had only established for a short period of time since 2017. The set-up of the Cambodia base not only provided extended values to the Group's existing customers, but also expanded the geographical coverage for new businesses. Encouraged by such performance, the Group is building its own production plant in Cambodia to further capture the growth opportunities in the booming garment export market in South East Asia. A self-owned production plant would allow greater production capacity and incorporation of more sophisticated production technology and stronger research and development capabilities. Such factors are essential to attract global customers with higher margins and tendency for bulk purchases.

In light of the ongoing concerns of geopolitical risks, the Group has started the planning for a new factory complex in Nam Dinh Province, Vietnam to provide a one-stop textile manufacturing solutions outside China. The construction of infrastructure is scheduled in 2020 and is expected to complete in the first half of 2021. The trial production will commence in 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

Looking ahead, the U.S.-China trade war has abated following the signing of the initial phase of U.S.-China trade agreements. The Group remains prudent about the outlook of the textile and garment industry, as the outbreak of the Covid-19 pandemic would undoubtedly disrupt daily lives and business activities around the world in 2020. In support of official pandemic prevention and containment policies, many manufacturing plants in Mainland China suspended their operations for an extended period of time. Traffic and travel controls have caused shortage in labour in the supply chains for most of the sectors. Wholesalers and retailers that rely on supply chains in China would consequently be affected inevitably. However, it is expected that the impacts brought about by the pandemic will not be permanent. The Group will closely monitor the situation and deploy necessary measures to mitigate the impact on its annual production output and product delivery.

In the meantime, tightened environmental regulations in mainland China and fierce competition from other developing regions in Asia may cause another round of market consolidation in the textile manufacturing and export market in China. Industry players that are unable to weather these impacts may be eliminated. To remain competitive during this downward economic cycle, the Group is determined to pursue self-enhancement and internal optimization in 2020 by further diversifying client mix to mitigate regional risks, accelerating the operations set up in Cambodia and Vietnam, streamlining production and internal procedures to reduce operating expenses and thoughtfully monitoring and reacting fast to the market dynamics. 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 maintain stable development and profitability in 2020. As a token of support to the Company during this difficult time, all executive Directors have voluntarily waived 10% of their respective salaries commencing from February 2020 and further voluntarily waived 30% from 10% with effective on April 2020 until the coronavirus pandemic is under control.

FINANCIAL REVIEW

Revenue

Overall sales turnover reached approximately HK$4,350.7 million, representing a decrease of approximately 6.5% (2018: HK$4,651.0 million). The decrease was mainly attributable to the decrease in order as a result of keen competition in China market.

Gross Profit and Gross Profit Margin

Gross profit was approximately HK$591.1 million, representing an increase of approximately 1.8% (2018: approximately HK$580.7 million). Gross profit margin increased slightly to approximately 13.6% (2018: approximately 12.5%), which was mainly attributable to decrease in cost of sales due to depreciation of Renminbi and contribution by increase in sales turnover in garment business.

Other Income and Expenses

Other income of approximately HK$44.3 million (2018: approximately HK$37.9 million) mainly comprised approximately HK$3.2 million (2018: approximately HK$0.5 million) from bank interest income, approximately HK$9.6 million (2018: approximately HK$8.5 million) from fee on air and ocean freight handling services, and approximately HK$18.5 million (2018: approximately HK$13.2 million) from income on sewage treatment provided, and approximately HK$4.4 million (2018: approximately HK$6.1 million) from PRC government subsidy. The remaining balance was primarily the result of rental income and sales of scrap.

Selling and Distribution Expenses

Selling and distribution expenses decreased to approximately HK$116.7 million (2018: approximately HK$122.8 million), which is in line with the decrease in sales. The Group has implemented cost control in which selling expenses should be linked up with the sales contributions for the Year.

Administrative Expenses

Administrative expenses, which included salaries, depreciation, custom declaration and other related expenses, increased to approximately HK$334.8 million (2018: approximately HK$314.0 million) which reflected a rise in overall business operation costs, such as salaries, utilities and travelling expenses.

Finance Costs

Finance costs, which included an amortisation of syndicated loan charges, interest on term loans from banks, trade loan, bank overdraft and finance lease interests, increased by approximately 23.7% to approximately HK$88.7 million (2018: approximately HK$71.7 million) as compared with last year. The increase was primarily due to increase in interest borrowing rate, increase in bank loan borrowing and a non-cash amortisation effect of loan charges on the previous syndicated loan upon the repayment of the previous syndicated loan financed by the new syndicated loan in August 2019.

Net Profit and Net Profit Margin

Net profit attributable to ordinary equity holders of the Company for the Year was approximately HK$60.1 million, representing a year-on-year decrease of approximately 17.4% (2018: approximately HK$72.8 million). The decrease in net profit was mainly due to the drop in revenue and increase in administrative expenses and finance costs as explained above. Net profit margin slightly decreased to approximately 1.4% (2018: approximately 1.5%).

Liquidity and Financial Resources

As at 31 December 2019, the Group's net current assets were approximately HK$1,318.9 million (2018: approximately HK$657.5 million). The increase in net current assets was mainly due to increase in cash and bank balance and the availability of the new syndicated loan in August 2019, which was used to replace the previous syndicated loan in 2017, such that the interest-bearing bank borrowings which were classified as current liabilities as at 31 December 2018 are refinanced by the long-term loan. The Group will constantly review its financial position and maintain a healthy financial position by financing its operations from internally generated resources and long-term bank loans. As at 31 December 2019, the Group had cash and cash equivalents of approximately HK$773.0 million (2018: approximately HK$558.2 million). Current ratio was approximately 1.9 times (2018: approximately 1.3 times).

As at 31 December 2019, total bank and other borrowings of the Group were approximately HK$1,911.3 million (2018: approximately HK$2,003.6 million). The Group's net debt gearing ratio (i.e. net debts divided by the sum of equity and net debts) was approximately 50.7% (2018: approximately 55.9%). 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.

Debtors' turnover period, inventory turnover period and creditors' turnover period for the Year was 71.0 days (2018: 77.7 days), 99.5 days (2018: 101.1 days) and 64.4 days (2018: 70.1 days) respectively. Debtors' turnover period has slightly improved. The inventory turnover period was maintained at similar level. Creditors' turnover period has slightly decreased due to improvement in procurement control.

Financing

As at 31 December 2019, total banking and other borrowings facilities of the Group amounted to approximately HK$5,704.1 million (2018: approximately HK$5,463.5 million), of which approximately HK$2,288.0 million (2018: approximately HK$2,380.0 million) was utilised.

As at 31 December 2019, the Group's long-term loans were approximately HK$1,308.0 million (2018: approximately HK$827.6 million), comprising syndicated loan and term loans from banks.

Dividend

The Board has resolved to recommend the payment of a final dividend of HK1.5 cents (2018: HK1.5 cents) per share for the Year and will be payable to the shareholders whose names appear on the register of members of the Company on Friday, 12 June 2020. Subject to the approval of shareholders regarding the payments of the final dividend at the forthcoming annual general meeting of the Company, the proposed final dividend will be paid on or about Friday, 3 July 2020.

Capital Structure

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

As at 31 December 2019, there has been no change in the capital structure of the Company. The share capital of the Company comprises only ordinary shares.

Foreign Exchange Risk and Interest Rate Risk

Approximately 65.7% (2018: approximately 60.9%) 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 Renminbi. The exchange rates of other currencies were relatively stable throughout the Year and immaterial on our cost structure. The management closely monitors the foreign exchange movements and determines the appropriate hedging activities when necessary.

The Group's borrowings were mainly maintained at a floating rate basis. The management will pay attention to the interest rate movement and employ necessary hedging instruments in a prudent and professional manner.

Charge of Group's Assets

As at 31 December 2019, none of the Group's land and buildings (2018: HK$56.8 million) were pledged. The pledged assets are to secure a bank loan of HK$9.9 million granted to the Group as at 31 December 2018 and was repaid in full in 2019.

Capital Expenditure

As at 31 December 2019, the Group invested approximately HK$209.0 million (2018: approximately HK$316.6 million) in capital expenditure of which approximately 75.2% was used for the purchase of plant and machinery, approximately 17.8% was used for the purchase of certain of right-of-use assets, and the remaining was used for the purchase of other property, plant and equipment.

As at 31 December 2019, the Group had capital commitments of approximately HK$48.1 million (2018: approximately HK$33.7 million) in property, plant and equipment and approximately HK$184.2 million (2018: approximately HK$184.2 million) in construction of new manufacturing facilities. All are funded or will be funded by internal resources and bank loans.

Staff Policy

The Group had 5,530 (2018: 5,895) employees in the PRC, 1,819 (2018: 1,606) employees in Cambodia and 134 employees (2018: 142) in Hong Kong, Macau, Singapore and others as at 31 December 2019. Remuneration packages are generally structured by reference to market terms and individual qualification. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Discretionary bonuses are offered to the Group's staff depending on their performance and the results of the Group. The Group also participates in various defined contribution plans and insurance schemes in compliance with its statutory obligations under the laws and regulations of various locations worldwide.

The Group operates a defined contribution retirement benefit scheme under the Mandatory Provident Fund Schemes Ordinance 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.

Major Customers and Suppliers

For the Year, sales to the Group's five largest customers accounted for approximately 24.3% (2018: approximately 19.5%) of total sales and sales to the largest customer included therein accounted for approximately 5.6% (2018: approximately 6.3%).

Purchases from the Group's five largest suppliers accounted for approximately 38.1% (2018: approximately 36.7%) of total purchases and purchases from the largest supplier therein accounted for approximately 13.7% (2018: approximately 11.2%).

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

MANAGEMENT DISCUSSION AND ANALYSIS

Segment Information

For the Year, the major end-market remained as U.S. By analysis of location of customers, which are garment factories, by regions, sales to the five largest regions (Korea, the PRC (other than Hong Kong and Macau), Hong Kong ,Taiwan and Singapore) accounted for approximately 84.6% (2018: (the PRC (other than Hong Kong and Macau), Korea, Hong Kong, Taiwan and Singapore) approximately 85.3%) of total sales of the Group and sales to the largest region (Korea) (2018: the PRC (other than Hong Kong and Macau)) included therein accounted for approximately 28.8% (2018: approximately 31.6%) of the Group.

As at 31 December 2019, the Group's assets located in the fabric operation accounted for approximately 91.3% (2018: approximately 93.1%) of the total assets of the Group. Capital expenditure in the fabric operation during the Year accounted for 96.9% (2018: 89.6%) of the total capital expenditure of the Group.

Material Acquisition and Disposal

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

Event After the Reporting Period

The novel coronavirus outbreak in early 2020 casted certain degree of uncertainties to the global economy. The overall operations of the textile and garment industry were inevitably affected by the quarantine measures and emergency health policies imposed by the PRC government. As of the date of this report, the Group's manufacturing facilities were gradually restored to its normal operation capacities, the customers, suppliers and logistics network of the Group were subjected to different degrees of disruptions to their normal operations and the Group's product deliveries and procurement activities have been affected. As a result, the performance of the Group would be impacted during the first half of 2020. Given the rapid development of the novel coronavirus outbreak, the Directors consider it is impractical to estimate the financial impact to the Group. The management of the Group will remain vigilant to the development of novel coronavirus outbreak and maintain close communication with different stakeholders of the Group.

Save as disclosed in this report, there were no other important events affecting the Group that had occurred after 31 December 2019 and up to the date of this report.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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 regarding directors' securities transactions for the year ended 31 December 2019.

BOARD OF DIRECTORS

As at 31 December 2019, the Board comprised nine Directors, including five executive Directors, one non-executive Director and three independent non-executive Directors. Biographical details of the Directors are set out in the section headed "Profile of Directors and Senior Management" on pages 21 to 24 of the annual report.

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

Title	Name	Position	Gender	Age	Length of service
Executive Directors:	Mr. Tai Chin Chun	Chairman	Male	58	26 years
	Mr. Tai Chin Wen	Chief Executive Officer	Male	64	26 years
	Ms. Cheung So Wan		Female	56	23 years
	Ms. Wong Siu Yuk		Female	58	23 years
	Mr. Chong Chau Lam (resigned on 1 January 2020)		Male	70	15 years
Non-executive Director:	Dr. Wong Wai Kong		Male	54	17 years
Independent Non-executive Directors:	Mr. Ho Gilbert Chi Hang	Chairman of Nomination Committee	Male	43	9 years
	Mr. Ting Kay Loong	Chairman of Remuneration Committee	Male	58	3 years
	Mr. Wu Tak Lung	Chairman of Audit Committee	Male	54	4 years

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

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

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2019, the Board convened four board meetings and one general meeting. The individual attendance of each Director at these meetings is set out below:

Name of Director	Attendance at board meetings (%)	Attendance at annual general meeting (%)
Executive Directors:		
Mr. Tai Chin Chun *(Chairman)*	4/4 (100%)	1/1 (100%)
Mr. Tai Chin Wen	4/4 (100%)	1/1 (100%)
Ms. Cheung So Wan	4/4 (100%)	1/1 (100%)
Ms. Wong Siu Yuk	4/4 (100%)	1/1 (100%)
Mr. Chong Chau Lam (resigned on 1 January 2020)	4/4 (100%)	1/1 (100%)
Non-executive Director:		
Dr. Wong Wai Kong	4/4 (100%)	1/1 (100%)
Independent Non-executive Directors:		
Mr. Ho Gilbert Chi Hang	4/4 (100%)	1/1 (100%)
Mr. Ting Kay Loong	4/4 (100%)	1/1 (100%)
Mr. Wu Tak Lung	4/4 (100%)	1/1 (100%)

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

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

Name of Director	Topic covered
Mr. Tai Chin Chun	Corporate governance
Mr. Tai Chin Wen	Corporate governance
Ms. Cheung So Wan	Corporate governance
Ms. Wong Siu Yuk	Corporate governance
Mr. Chong Chau Lam (resigned on 1 January 2020)	Corporate governance
Dr. Wong Wai Kong	Directors' duties and regulatory updates
Mr. Ho Gilbert Chi Hang	Corporate governance, directors' duties and regulatory updates
Mr. Ting Kay Loong	Directors' duties and regulatory updates
Mr. Wu Tak Lung	Directors' duties

All Directors are requested to provide the Company with their respective training records pursuant to the Code. The Directors confirmed that they have complied with the code provision A.6.5 of the Code.

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

NON-EXECUTIVE DIRECTOR

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

COMPANY SECRETARY

The company secretary of the Company is Mr. Lei Heong Man. He has fulfilled the requirement under Rules 3.28 and 3.29 of the Listing Rules. As an employee of the Company, the company secretary ensures good information flow within the Board and compliance with Board policy and procedures; advises the Board on governance matters, facilitates induction and, monitors the training and continuous professional development of Directors. He has attained not less than 15 hours of relevant professional training during the year ended 31 December 2019. His biography is set out in the "Profile of Directors and Senior Management" section of this annual report.

REMUNERATION COMMITTEE

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

During the year ended 31 December 2019, the remuneration committee convened two meetings and the individual attendance of each committee member is set out below:

Name of Director	Attendance	(%)
Independent Non-executive Directors:		
Mr. Ting Kay Loong *(Chairman)*	2/2	(100%)
Mr. Ho Gilbert Chi Hang	2/2	(100%)
Mr. Wu Tak Lung	2/2	(100%)
Executive Directors:		
Mr. Tai Chin Chun	2/2	(100%)
Mr. Tai Chin Wen	2/2	(100%)

The remuneration committee meeting was held to review and recommend the salary revision for executive Directors. As no Director or any of his/her associate should be involved in deciding his/her own remuneration in compliance with the principle of the Code, the relevant Directors had abstained from voting on their respective resolutions in which they were materially interested. Remuneration payable to senior management (excluding Directors) for the year ended 31 December 2019 within the band of below HK$2,000,000 comprises 7 individuals and within the band of HK$2,500,001 and HK$3,000,000 comprises 1 individual. Details of the remuneration of the Directors for the year ended 31 December 2019 are shown in note 8 to the financial statements.

NOMINATION COMMITTEE

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

During the year ended 31 December 2019, the nomination committee convened two meetings and the individual attendance of each committee member is set out below:

Name of Director	Attendance	(%)
Independent Non-executive Directors:		
Mr. Ho Gilbert Chi Hang *(Chairman)*	2/2	(100%)
Mr. Ting Kay Loong	2/2	(100%)
Mr. Wu Tak Lung	2/2	(100%)
Executive Directors:		
Mr. Tai Chin Chun	2/2	(100%)
Mr. Tai Chin Wen	2/2	(100%)

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

RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

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

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

AUDITOR'S REMUNERATION

For the year ended 31 December 2019, Ernst & Young, as the external auditor of the Company, has provided audit and non-audit services to the Group at the fees of approximately HK$4.0 million and HK$0.2 million, respectively. The responsibilities of the external auditor of the Company are set out in the "Independent Auditor's Report" on pages 33 to 37 of this report.

AUDIT COMMITTEE

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

– assists the Board in discharging its statutory responsibilities on financial and accounting matters;

– reviews and monitors the effectiveness of the audit process in accordance with applicable standard;

– develops and implements policy on the engagement of external auditor;

– reviews the Company's financial controls, internal control and risk management systems; and

– develops and reviews the Company's policies and practices on corporate governance and make recommendations to the Board.

During the year ended 31 December 2019, the audit committee convened three meetings and the individual attendance of each committee member is set out below:

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

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

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

INTERNAL CONTROL

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

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

During the year ended 31 December 2019, the Board has conducted a review of the effectiveness of the internal control system of the Group covering all material controls, including financial, operational and compliance controls as well as risk management functions as required by the Code. The audit committee has also reviewed the internal control system of the Group and the findings of major investigations of internal control matters. The Group implements budget management with an aim to have better monitor on both business and financial performance. There was no significant incidence of failure in connection with financial, operational and compliance control during the Year under review. The Board considered that the internal control system is effective and adequate and that there are adequate staff with appropriate qualifications and experience, resources and budget of its accounting and financial reporting function, and adequate training programmes have been provided.

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

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

RISK MANAGEMENT

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

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

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

During the year ended 31 December 2019, the Board has reviewed the risk management system and was not aware of any significant risk management issues that would have an adverse impact on the financial position or operations of the Group, and through the review of the independent internal audit department, considered the risk management system of the Group is effective and adequate.

DIVIDEND POLICY

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

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

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

SHAREHOLDERS' RIGHTS

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

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

A shareholders' communication policy (the "Policy") was adopted by the Company to maintain an on-going dialogue with shareholders and encourage them to communicate actively with the Company and the Board will review the Policy on a regular basis to ensure its effectiveness.

Shareholders should direct their questions about their shareholdings to the Company's Hong Kong branch share registrar: Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

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

During the year ended 31 December 2019, there was no change to the constitutional documents of the Company. A consolidated version of the memorandum and articles of association of the Company is available on the websites of the Company and the Stock Exchange.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Executive Directors

Mr. Tai Chin Chun (戴錦春), aged 58, is the Chairman of the Board, an executive Director, a director of most subsidiaries of the Company and co-founder of the Group. He is also a member of the remuneration committee and nomination committee of the Company. Mr. Tai is in charge of the Group's corporate strategy, planning and overall development. He has more than 30 years of experience in the textile industry, in which he served more than 20 years for the Group. Mr. Tai conferred an Honorary Consulate of The Republic of Mauritius in Hong Kong Special Administration Region ("HKSAR") in January 2010. Mr. Tai obtained the "World Outstanding Chinese Award 2008" from United World Chinese Association and conferred an Honorary Doctor Degree by The University of West Alabama (Regional University), USA. Mr. Tai is an executive director of Guangdong Chamber of Foreign Investors (廣東外商公會常務理事), a member of Guangdong Provisional Committee of CPPCC (中國人民政治協商會議廣東省委員會委員). He has also been awarded honorary citizenship of Guangzhou Municipal (廣州市榮譽市民), honorary life president of the Nam An (Hong Kong) Association and Fujian Tai's Clan Hong Kong Association (香港南安公會永遠名譽會長、福建旅港戴氏宗親會永遠榮譽會長). Mr. Tai is the younger brother of Mr. Tai Chin Wen and the spouse of Ms. Cheung So Wan.

Mr. Tai Chin Wen (戴錦文), aged 64, is an executive Director, the Chief Executive Officer, a director of most subsidiaries of the Company and co-founder of the Group. He is also a member of the remuneration committee and nomination committee of the Company. Mr. Tai is in charge of the Group's day-to-day management. He has over 30 years of management experience in the manufacturing industry, in which he served more than 20 years for the Group. Mr. Tai is a standing member of Hubei Committee of CPPCC (中國人民政治協商會議湖北省委員會常務委員). He is a vice chairman of Hubei Chinese Overseas Friendship Association (湖北省海外聯誼會副會長), executive chairman of Guangdong Jiangmen City Association of Foreign Investment (廣東省江門市外商投資協會執行會長), chairman of World of Dai Clan Governing Council (世界戴氏宗親總會理事長) and president of Fujian Tai's Clan Hong Kong Association (福建旅港戴氏宗親會會長). He has also been awarded honorary citizenship of Guangzhou Municipal and Jiangmen (廣州市榮譽市民及江門市榮譽市民), honorary life chairman of Hong Kong Federation of Fujian Association (香港福建社團聯會永遠榮譽主席), managing vice president of Federation of Hong Kong Hubei Associations (香港湖北社團總會常務副會長) and honorary life president of the Nam An (Hong Kong) Association (香港南安公會永遠名譽會長). Mr. Tai is the elder brother of Mr. Tai Chin Chun and the spouse of Ms. Wong Siu Yuk.

Ms. Cheung So Wan (張素雲), aged 56, is an executive Director. She is also a director of some subsidiaries of the Group. She is responsible for sales and marketing, yarn sourcing, quality control and stock control in the Group, and assists in the overall management of the Group. Ms. Cheung joined the Group in November 1996 and has more than 20 years of experience in the textile industry. Ms. Cheung is the spouse of Mr. Tai Chin Chun.

Ms. Wong Siu Yuk (黃少玉), aged 58, is an executive Director. She is also a director of some subsidiaries of the Group. She is responsible for dyeing material sourcing, quality control and stock control in the Group, and assists in the overall management of the Group. Ms. Wong joined the Group in December 1996 and has more than 20 years of experience in the textile industry. Ms. Wong is the spouse of Mr. Tai Chin Wen.

Mr. Chong Chau Lam (莊秋霖), aged 70, was an executive Director. He was responsible for overall management of the textile business of the Group. Mr. Chong obtained a High Diploma in Dyeing, Printing and Finishing Technology from the Hong Kong Technical College and a Master Degree of Business Administration from the University of East Asia in Macau. He is an associate member of both the Society of Dyers and Colourists and the Textile Institute in the United Kingdom, and was awarded the Silver Medal and a bar to Silver Medal by the Society of Dyers and Colourists in 1982 and 2013 respectively. Prior to joining the Group on 30 March 2004, he worked as a senior lecturer at the Institute of Textiles and Clothing of the Hong Kong Polytechnic University and an engineer in a local textile company. Mr. Chong is also a member of the Dyeing and Finishing Special Committee and become Vice Director since 2013, a member of the China Textile Engineering Society, and an active technical consultant in the dyeing and finishing sector. Mr. Chong resigned as executive Director of the Company with effect from 1 January 2020.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Lei Heong Man (李向民), aged 60, is appointed as executive Director with effect from 1 January 2020. During the Year, he is one of the senior management of the Group. He is the chief financial officer and is responsible for the supervision and management of the Company which together with its subsidiaries' (the "Group") financial matters. He is also the company secretary of the Company. Mr. Lei has over 20 years of experience in regional financial and operational management in multinational corporations and listed companies, and is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Lei holds a Bachelor Degree in Accountancy, Finance and Economics from the University of Essex, and a Master of Business Administration Degree from The University of Wales, the United Kingdom. Mr. Lei joined the Group in June 2009.

Non-Executive Director

Dr. Wong Wai Kong (黃偉桄), aged 54, is a non-executive Director. Dr. Wong obtained a Bachelor Degree of Business Administration from the Hong Kong Baptist University in Hong Kong in November 1990, a Master Degree of Business Administration from the University of Sheffield in the United Kingdom in May 1995, a Master Degree of Science in Business Information Technology from the Middlesex University in the United Kingdom in January 2003 and a Doctor of Philosophy in Business Administration from the Bulacan State University in the Republic of the Philippines in July 2015. Dr. Wong has over 20 years of experience in corporate finance, financial advisory and management, professional accounting and auditing. Dr. Wong is a Certified Public Accountant (practicing) in Hong Kong and a fellow member of the Association of Chartered Certified Accountants and a fellow member of the Hong Kong Institute of Certified Public Accountants.

Dr. Wong was appointed as a non-executive Director on 1 January 2018. He was appointed as an independent non-executive director of Star Properties Group (Cayman Islands) Limited (stock code:1560), a company listed on the Main Board of the Stock Exchange on 24 January 2020. He had been an independent non-executive director of EEKA Fashion Holdings Limited (formerly known as Koradior Holdings Limited) (stock code: 3709) from 6 June 2014 to 17 July 2017, and an independent non-executive director of Million Stars Holdings Limited (formerly known as Odella Leather Holdings Limited) (stock code: 8093) during 28 January 2015 to 17 March 2017, both of them are listed companies in Hong Kong.

Independent Non-Executive Directors

Mr. Ho Gilbert Chi Hang (何智恒), aged 43, is a member and the chairman of the nomination committee, and a member of the remuneration committee and audit committee of the Company. Mr. Ho holds a Bachelor of Commerce Degree and a Bachelor of Laws Degree from the University of Sydney, Australia and is a solicitor admitted in New South Wales, Australia and England and Wales and a solicitor and barrister admitted in the High Court of Australia. He was a partner of an international law firm Fried, Frank, Harris, Shriver and Jacobson LLP. Mr. Ho is also a fellow member of CPA Australia.

Mr. Ho is a Committee Member of the Chinese People's Political Consultative Conference of Shenyang, Liaoning Province (中國人民政治協商會議遼寧省瀋陽市委員會), a Standing Committee Member of the Youth Federation of Inner Mongolia (內蒙古自治區青年聯合會) and the Vice Chairman of Inner Mongolia & Hong Kong Youth Exchange Association (蒙港青年交流促進會).

Mr. Ho is appointed as the executive director of NWS Holdings Limited (stock code: 0659) on 9 July 2018, and currently served as an independent non-executive director of Hailiang International Holdings Limited (stock code: 2336) and Asia Allied Infrastructure Holdings Limited (stock code: 0711), and a non-executive director of Wai Kee Holdings Limited (stock code: 0610) and Shougang Concord International Enterprise Company Limited (stock code: 0697), all of the above-mentioned companies are listed companies in Hong Kong. During the past three years, he was an executive director of China Creative Digital Entertainment Limited (formerly known as HMV Digital China Group Limited) (stock code: 8078) and an executive director and chief executive officer of AID Life Science Holdings Limited (formerly known as AID Partners Technology Holdings Limited) (stock code: 8088), both are listed on GEM of the Stock Exchange. Mr. Ho joined the Group on 4 May 2010.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Ting Kay Loong (丁基龍), aged 58, is a member and chairman of the remuneration committee, and a member of the audit committee and nomination committee of the Company. He holds a Bachelor of Economics Degree from Macquarie University, Australia and is a fellow member of the Australian Society of Certified Public Accountants. Mr. Ting has over 25 years of experience in financial services industry. He is presently the head of corporate finance of Shenwan Hongyuan Capital (H.K.) Limited (formerly known as Shenyin Wanguo Capital (H.K.) Limited). Prior to joining Shenwan Hongyuan in 2006, he had worked for Haitong International Capital Limited (formerly known as Tai Fook Capital Limited) and several listed companies in Hong Kong. Mr. Ting joined the Group on 14 July 2017.

Mr. Wu Tak Lung (吳德龍), aged 54, is a member and chairman of the audit committee, and a member of nomination committee and remuneration committee of the Company. He holds a bachelor's degree of business administration in accounting from the Hong Kong Baptist University and a master's degree of business administration jointly issued by the University of Manchester and the University of Wales. He is a member of Hong Kong Institute of Certified Public Accountants, a fellow member of Hong Kong Securities and Investment Institute, the Association of Chartered Certified Accountants, the Taxation Institute of Hong Kong, and the Hong Kong Institute of Chartered Secretaries. He had worked in Deloitte Touche Tohmatsu, an international accounting firm, for five years and was then employed by several companies in Hong Kong as head of corporate finance and/or executive director.

Mr. Wu currently served as an independent non-executive director of Henan Jinma Energy Company Limited (stock code: 6885), Beijing Media Corporation Limited (stock code: 1000), Sinomax Group Limited (stock code: 1418), Zhongguancun Science-Tech Leasing Co., Ltd. (stock code: 1601) and China Machinery Engineering Corporation (stock code: 1829), all are listed companies in Hong Kong Stock Exchange. Moreover, he was an independent non-executive director of Huarong Investment Stock Corporation Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2277), First Tractor Company Limited, a company listed on both the Main Board of the Stock Exchange (stock code: 00038), and the Shanghai Stock Exchange (stock code: 601038), Sinotrans Shipping Limited, a company listed on the Main Board of the Stock Exchange and delisted in January 2019 (stock code: 368), and Olympic Circuit Technology Co., Ltd. (stock code: 603920), a company listed in Shanghai Stock Exchange in the last three years. Mr. Wu joined the Group on 1 December 2016.

Senior Management

Mr. Wong Yi Ming (黃一鳴), aged 55, is the deputy managing director of Guangzhou Kamhing Textile Dyeing Co., Ltd. (the "Guangzhou KH"), a wholly-owned subsidiary of the Group, and is responsible for the overall management and administration of Guangzhou KH. Mr. Wong obtained a Master Degree of Business Administration from the Zhongshan University. He has over 25 years of management experience in the textile industry. Prior to joining the Group in September 1997, Mr. Wong has worked for PRC companies for over 16 years, where he was responsible for financial and business management. Mr. Wong is the younger brother of Ms. Wong Siu Yuk.

Mr. Ho Yi Piu (何宜標), aged 51, is the director of Kam Hing Piece Works (S) Pte Limited, a wholly-owned subsidiary of the Group. Mr. Ho is the general manager of the Group's sales and marketing department. Mr. Ho obtained a Diploma in Business Administration from the Society of Business Practitioners, Cheshire, the United Kingdom. Prior to joining the Group in June 1999, Mr. Ho has worked for fabric trading companies and he has over 15 years of experience in the textile industry. Mr. Ho is the son-in-law of the brother of Mr. Tai Chin Chun and Mr. Tai Chin Wen.

Mr. Tai Tang Tat (戴騰達), aged 39, is the general manager of marketing and sales department and a director of some subsidiaries of the Group. Mr. Tai obtained a Diploma in Computer Science from the Sydney Institute of Business and Technology, Australia. Mr. Tai is the son of Mr. Tai Chin Wen. Mr. Tai joined the Group in March 2002.

Mr. Chan Kin Wang (陳建宏), aged 56, is the general manager of the operations centre in Enping. Mr. Chan has over 30 years of experience in the textile industry. Mr. Chan joined the Group in December 2008.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Ang Leong Aik (翁兩益), age 47, is the executive director and chief executive officer of the Garment Sector, responsible for execution overall corporate strategies and operations, setting up the development policies within the Garment group. Mr. Ang has over 15 years of experience in apparel industry gained from a multinational apparel company. Mr. Ang holds a Bachelor degree in Electrical Engineering from the University of Sheffield. Mr. Ang joined the group in April 2017.

Mr. Ng Choo Chun (黃初俊), age 48, is the executive director and chief production officer and is responsible for overseeing all productions and operations activities of Garment sector. Mr. Ng has over 25 years of experience in multinational garment productions, factory management, manpower training and cost control in Apparel Industry. Mr. Ng joined the group in April 2017.

Mr. Tang Tat Wah (鄧達華), aged 57, is the general manager of the operation centre in Nansha. Mr. Tang has over 25 years of experience in the textile industry. Mr. Tang joined the Group in January 2018.

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements of the Group for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 38 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the Year.

A review of the business of the Group during the Year and a discussion on the Group's future business development are provided in the Chairman's Statement on pages 5 to 6 and the Management Discussion and Analysis on pages 7 to 12 of this report. Description of possible risks and uncertainties that the Group may be facing can be found in the Management Discussion and Analysis on pages 7 to 12. Also, the financial risk management objectives and policies of the Group are provided in the Management Discussion and Analysis on pages 7 to 12 and also in note 36 to the financial statements. An analysis of the Group's performance during the Year using financial key performance indicators is provided in the Financial Highlights and Summary and Five-year Financial Summary on pages 3 to 4 and 118 respectively of this report. These discussions form part of this Directors' report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

During the year ended 31 December 2019 and up to the date of this report, the Group does not have any violation of relevant environmental regulations and rules which have a significant impact to the Group's development, performance and businesses.

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

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

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

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

The Group has developed a good and long relationship with our suppliers to maintain a steady supplies with good qualities. We proactively communicate with our suppliers and perform regular quality control to ensure the quality supplied.

REPORT OF THE DIRECTORS

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2019 and the financial position of the Group at that date are set out in the financial statements on pages 38 to 117.

The Directors recommend the payment of a final dividend of HK1.5 cents (2018: HK1.5 cents) per ordinary share in respect of the Year, to be payable to the shareholders whose names appear on the register of members of the Company on Friday, 12 June 2020. Subject to the approval of shareholders at the forthcoming annual general meeting, the proposed final dividend will be paid on or about Friday, 3 July 2020.

SUMMARY FINANCIAL INFORMATION

A summary of the results and assets, liabilities and non-controlling interests of the Group for the last five financial years, is set out on page 118. This summary does not form part of the audited financial statements.

SHARE CAPITAL AND SHARE OPTIONS

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

DISTRIBUTABLE RESERVES

As at 31 December 2019, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounting to HK$1,076,170,000, of which approximately HK$13,049,000 have been proposed as final dividend for the year after the reporting period. The amount of HK$1,076,170,000 includes the Company's share premium account and capital reserve of HK$848,112,000 in aggregate as at 31 December 2019, which may be distributed provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be able to pay off its debts as and when they fall due in the ordinary course of business.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK$704,500.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 24.3% (2018: 19.5%) of the total sales and sales to the largest customer included therein accounted for 5.6% (2018: 6.3%). Purchases from the Group's five largest suppliers accounted for 38.1% (2018: 36.5%) of the total purchases for the Year and purchases from the largest supplier included therein accounted for 13.7% (2018: 11.2%).

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

DIRECTORS

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

Executive Directors:

Mr. Tai Chin Chun *(Chairman)*
Mr. Tai Chin Wen *(Chief Executive Officer)*
Ms. Cheung So Wan
Ms. Wong Siu Yuk
Mr. Chong Chau Lam (resigned on 1 January 2020)
Mr. Lei Heong Man (appointed on 1 January 2020)

Non-executive Director:

Dr. Wong Wai Kong

Independent non-executive Directors:

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

In accordance with article 87(1) of the Company's articles of association, Mr. Tai Chin Chun, Ms. Cheung So Wan, Mr. Lei Heong Man and Mr. Ho Gilbert Chi Hang will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 21 to 24 of the annual report.

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS

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

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

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

EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

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

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the related party transactions disclosures in note 32 to the financial statements, no Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company or any of its subsidiaries was a party subsisting during or at the end of the Year.

EQUITY FUND RAISING ACTIVITIES

There was no equity fund raising by the Company during the year ended 31 December 2019, nor were there any proceeds brought forward from any issue of equity securities made in previous financial years.

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

TAX RELIEF

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

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 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:

Name of Director	Notes	Capacity and nature of interest: 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.

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 31 December 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.

PERMITTED INDEMNITY PROVISION

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

The Company has maintained Directors' liability insurance during the year ended 31 December 2019 and up to the date of this annual report which provides appropriate cover for the Directors.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

MANAGEMENT CONTRACT

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

SHARE OPTION SCHEME

During the Year, no share options had been granted under the share option scheme and there was no outstanding share option as at 31 December 2019.

CONTRACT OF SIGNIFICANCE

No contracts of significance in relation to the Group's business in which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed during the following periods:

(a) For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from Wednesday, 3 June 2020 to Monday, 8 June 2020, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the annual general meeting, unregistered holders of shares of the Company should ensure that all transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 2 June 2020.

(b) For determining the entitlement to the proposed final dividend for the Year (subject to approval by the shareholders at the annual general meeting), the register of members of the Company will be closed on Friday, 12 June 2020, on which no transfer of shares of the Company will be registered. In order to be eligible for the proposed final dividend, unregistered holders of shares of the Company should ensure that all transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 11 June 2020.

RELATED PARTY TRANSACTIONS

Related party transactions entered into by the Group during the year are set out in note 32 to the financial statements. These related party transactions are connected transactions but are fully exempted from disclosure under the Listing Rules.

PERSONS WHO HAVE AN INTEREST OR SHORT POSITION WHICH IS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO

So far as is known to the Directors and the chief executive of the Company, as at 31 December 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 31 December 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.

DISCLOSURES PURSUANT TO RULE 13.21 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE (THE "LISTING RULES")

In accordance with the requirements of Rule 13.21 of the Listing Rules, disclosure is required in respect of the loan agreements of the Company and of a subsidiary of the Company, which contain covenants requiring performance obligations of the controlling shareholders of the Company.

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 is 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 any one of below events happen: (i) either Mr. Tai Chin Chun or Mr. Tai Chin Wen is not the chairman of the Company or (ii) Mr. Tai Chin Chun and Mr. Tai Chin Wen taken together, do not or cease to have management control of the Group or (iii) Mr. Tai Chin Chun, Mr. Tai Chin Wen, Ms. Cheung So Wan and Ms. Wong Siu Yuk collectively, (a) 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; or (b) are not or cease to be the single largest shareholder of the Company; or (c) do not or cease to appoint or nominate the majority of the Board, the commitments under the loan facility may be cancelled and all amounts outstanding under the loan facility may become immediately due and payable.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

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

ON BEHALF OF THE BOARD

Tai Chin Chun
Chairman

Hong Kong
30 March 2020

INDEPENDENT AUDITOR'S REPORT

EY 安永

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

OPINION

We have audited the consolidated financial statements of Kam Hing International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 38 to 117, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

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

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of accounts receivable	
Accounts receivable accounted for 31% and 13% of the net assets value and total assets of the Group, respectively, which are significant to the consolidated statement of financial position of the Group as at 31 December 2019. The Group recognised an allowance for expected credit losses ("ECLs") for accounts receivable balances and established a provision matrix for the purpose of impairment assessment. Significant judgement is involved in the estimation and assessment of the correlation among historical observed default rate, forecast economic conditions and ECLs. Details of accounts receivable are disclosed in notes 2.4, 3 and 20 to the financial statements.	We reviewed management's impairment assessment on the accounts receivable balances by checking the settlement received from customers subsequent to the end of the reporting period and reviewing the underlying assumptions adopted by management in the provision matrix, with reference to various factors such as the ageing of accounts receivable balances, the credit terms granted by the Group to respective customers, the historical repayments patterns from customers and forward-looking factors.
Assessment of inventory provision	
Inventories accounted for 52% and 21% of the net asset value and total assets of the Group, respectively, which is significant to the consolidated statement of financial position of the Group as at 31 December 2019. Management's judgement is involved in the estimation of valuation of the inventories at the lower of cost and net realisable value, with reference to the selling price of inventories subsequent to the end of the reporting period and market information. Moreover, management's judgement is required in the estimation of obsolescence of inventories with reference to ageing and conditions of inventories, and the quantity of inventories sold subsequent to the end of the reporting period. Details of inventories are disclosed in notes 2.4, 3 and 19 to the financial statements.	In assessing the inventory provision, we reviewed the net realisable value of inventories, on a sample basis, with reference to their selling price subsequent to the end of the reporting period or purchase orders placed by customers of the Group. Moreover, we considered the obsolescence of inventories with reference to their ageing and discussed with management for any impairment indication. We attended the physical inventory count and noted for any obsolescence items and observed the stocktake procedures performed by management. We checked calculation of the inventory ageing against samples of goods receipt notes, inspected the sales invoices and purchase orders from customers for selling prices subsequent to the end of the reporting period, and performed inventory ageing analysis.

INDEPENDENT AUDITOR'S REPORT

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

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Law Fu Yuen, Patrick.

Ernst & Young
Certified Public Accountants
22/F CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong
30 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
REVENUE	5	**4,350,664**	4,650,958
Cost of sales		**(3,759,516)**	(4,070,280)
Gross profit		**591,148**	580,678
Other income and gains, net	5	**44,314**	37,925
Selling and distribution expenses		**(116,668)**	(122,831)
Administrative expenses		**(334,766)**	(314,010)
Write-back of impairment losses/(impairment losses) on financial assets, net		**(2,465)**	7,171
Other operating expenses, net		**(20,689)**	(30,162)
Finance costs	6	**(88,685)**	(71,673)
PROFIT BEFORE TAX	7	**72,189**	87,098
Income tax expense	10	**(11,941)**	(16,804)
PROFIT FOR THE YEAR		**60,248**	70,294
Attributable to:			
Ordinary equity holders of the Company		**60,091**	72,826
Non-controlling interests		**157**	(2,532)
		60,248	70,294
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12		
Basic		**HK6.9 cents**	HK8.4 cents
Diluted		**HK6.9 cents**	HK8.4 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
PROFIT FOR THE YEAR		**60,248**	70,294
OTHER COMPREHENSIVE INCOME/(EXPENSES)			
Other comprehensive income/(expenses) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences:			
Exchange differences on translation of foreign operations		**–**	(170,635)
Realisation of exchange reserve and statutory surplus reserve upon deregistration of subsidiaries	38(k)	**3,776**	356
OTHER COMPREHENSIVE INCOME/(EXPENSES) FOR THE YEAR		**3,776**	(170,279)
TOTAL COMPREHENSIVE INCOME/(EXPENSES) FOR THE YEAR		**64,024**	(99,985)
Attributable to:			
Ordinary equity holders of the Company		**63,867**	(95,626)
Non-controlling interests		**157**	(4,359)
		64,024	(99,985)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**1,688,473**	1,896,746
Right-of-use assets	14(b)	**249,477**	–
Prepaid land lease payments	14(a)	**–**	118,135
Goodwill	15	**–**	–
Interest in an associate	16	**–**	–
Prepayments		**5,847**	6,163
Long term receivables		**33,277**	32,444
Deposits paid	17	**15,037**	32,454
Deferred tax assets	27	**27,830**	29,236
Total non-current assets		**2,019,941**	2,115,178
CURRENT ASSETS			
Properties under development	18	**56,114**	42,846
Inventories	19	**1,024,780**	1,127,358
Accounts and bills receivables	20	**845,990**	990,548
Prepayments, deposits and other receivables		**49,378**	67,549
Financial asset at fair value through profit or loss	21	**135**	160
Tax recoverable		**2,367**	7,742
Pledged deposits	22	**55,552**	58,967
Cash and cash equivalents	22	**772,957**	558,249
Total current assets		**2,807,273**	2,853,419
CURRENT LIABILITIES			
Accounts and bills payables	23	**663,253**	781,794
Accrued liabilities and other payables	24	**201,840**	228,155
Due to an associate	16	**951**	1,926
Tax payable		**10,164**	8,062
Interest-bearing bank borrowings	25	**603,312**	1,176,001
Lease liabilities	14(c)	**8,886**	–
Total current liabilities		**1,488,406**	2,195,938
NET CURRENT ASSETS		**1,318,867**	657,481
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,338,808**	2,772,659

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	25	**1,308,003**	827,593
Lease liabilities	14(c)	**34,845**	–
Deferred tax liabilities	27	**6,152**	6,210
Total non-current liabilities		**1,349,000**	833,803
Net assets		**1,989,808**	1,938,856
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital	28	**86,992**	86,992
Reserves	30	**1,903,771**	1,854,491
		1,990,763	1,941,483
Non-controlling interests		**(955)**	(2,627)
Total equity		**1,989,808**	1,938,856

Tai Chin Chun
Director

Tai Chin Wen
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

	Note	Attributable to ordinary equity holders of the Company									
		Issued capital HK$'000	Share premium account HK$'000	Capital reserve HK$'000	Statutory surplus reserve HK$'000	Other reserve HK$'000	Exchange reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2019		86,992	446,105	104,804	60,237	(12,126)	25,672	1,229,799	1,941,483	(2,627)	1,938,856
Profit for the year		–	–	–	–	–	–	60,091	60,091	157	60,248
Other comprehensive income/(expenses) for the year:											
Realisation of exchange reserve and statutory surplus reserve upon deregistration of a subsidiary	38(k)	–	–	–	(234)	–	4,010	–	3,776	–	3,776
Total comprehensive income/(expenses) for the year		–	–	–	(234)	–	4,010	60,091	63,867	157	64,024
Acquisition of non-controlling interests		–	–	–	–	147	(1,685)	–	(1,538)	1,515	(23)
Final 2018 dividend declared and paid		–	–	–	–	–	–	(13,049)	(13,049)	–	(13,049)
Transfer to statutory surplus reserve		–	–	–	3,264	–	–	(3,264)	–	–	–
At 31 December 2019		86,992	446,105*	104,804*	63,267*	(11,979)*	27,997*	1,273,577*	1,990,763	(955)	1,989,808

* These reserve accounts comprise the consolidated reserves of HK$1,903,771,000 (2018: HK$1,854,491,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

		Attributable to ordinary equity holders of the Company									
	Note	Issued capital HK$'000	Share premium account HK$'000	Capital reserve HK$'000	Statutory surplus reserve HK$'000	Other reserve HK$'000	Exchange reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
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/(loss) for the year		–	–	–	–	–	–	72,826	72,826	(2,532)	70,294
Other comprehensive income/(expenses) for the year:											
Exchange differences on translation of foreign operations		–	–	–	–	–	(168,808)	–	(168,808)	(1,827)	(170,635)
Realisation of exchange reserve upon deregistration of a subsidiary	38(k)	–	–	–	–	–	356	–	356	–	356
Total comprehensive income/(expenses) for the year		–	–	–	–	–	(168,452)	72,826	(95,626)	(4,359)	(99,985)
Final 2017 dividend declared and paid		–	–	–	–	–	–	(13,049)	(13,049)	–	(13,049)
Transfer to statutory surplus reserve		–	–	–	6,859	–	–	(6,859)	–	–	–
At 31 December 2018		86,992	446,105*	104,804*	60,237*	(12,126)*	25,672*	1,229,799*	1,941,483	(2,627)	1,938,856

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		72,189	87,098
Adjustments for:			
Bank interest income	5	(3,187)	(537)
Fair value losses:			
Financial asset at fair value through profit or loss	5	25	154
Finance costs	6	75,527	67,387
Amortisation of bank charges on syndicated loans	6	11,137	4,286
Interest on lease liabilities	6	2,021	–
Depreciation of items of property, plant and equipment	7	320,804	331,934
Depreciation of right-of-use assets/amortisation of prepaid land lease payments	7	14,730	3,469
Loss/(gain) on disposal of items of property, plant and equipment, net	7	(1)	76
Impairment/(write-back of impairment) allowance for accounts receivable, net	7	2,382	(6,403)
Write-off of other receivables	7	439	700
Impairment/(write-back of impairment) of other receivables, net	7	83	(768)
Write-back of provision for inventories	7	(307)	(642)
Impairment of goodwill	7	–	2,914
Loss on deregistration of subsidiaries, net	7	3,776	356
		499,618	490,024
Increase in properties under development		(13,268)	(19,348)
Decrease in inventories		102,885	37,830
Decrease/(increase) in accounts and bills receivables		142,176	(137,400)
Decrease/(increase) in prepayments, deposits and other receivables		13,945	(26,178)
Increase/(decrease) in accounts and bills payables		(118,541)	121,334
Increase/(decrease) in accrued liabilities and other payables		(24,501)	32,330
Exchange realignment		–	(81,492)
Cash generated from operations		602,314	417,100
Interest received		3,187	537
Interest paid		(75,527)	(67,344)
Interest element of lease payments		(2,021)	–
Interest element of finance lease rental payments		–	(43)
Hong Kong profits tax refunded		20	132
Hong Kong profits tax paid		(1,805)	(10,429)
Overseas taxes refunded		4,397	–
Overseas taxes paid		(5,728)	(34,112)
Net cash flows from operating activities		524,837	305,841

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	13, 26(a)	**(164,434)**	(263,441)
Prepayment of land leases		**–**	(21,943)
Payment of right-of-use assets		**(11,870)**	–
Proceeds from disposal of items of property, plant and equipment		**1**	117
Acquisition of non-controlling interests		**(23)**	–
Decrease in an amount due to an associate		**(975)**	(780)
Increase in long term receivables		**(833)**	(811)
Increase in deposits paid	26(a)	**(12,794)**	(20,115)
Decrease/(increase) in pledged deposits		**3,415**	(49,092)
Net cash flows used in investing activities		**(187,513)**	(356,065)
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal portion of lease payments/finance lease rental payments	26(b)	**(6,151)**	(4,393)
Drawdown of bank loans		**2,718,456**	2,177,197
Repayment of bank loans		**(2,821,872)**	(1,968,310)
Dividend paid		**(13,049)**	(13,049)
Net cash flows from/(used in) financing activities		**(122,616)**	191,445
NET INCREASE IN CASH AND CASH EQUIVALENTS		**214,708**	141,221
Cash and cash equivalents at beginning of year		**558,249**	421,723
Effect of foreign exchange rate changes, net		**–**	(4,695)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**772,957**	558,249
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	**432,820**	558,249
Non-pledged time deposits with original maturity of less than three months when acquired	22	**340,137**	–
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		**772,957**	558,249

1. CORPORATE AND GROUP INFORMATION

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

The principal place of business of the Company is located at 23A, TML Tower, No. 3 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong. The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 38 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

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 to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

New definition of a 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. HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of leasehold land, property, plant and machinery, and motor vehicle. 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 leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, 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$59,182,000, HK$118,135,000 and HK$3,249,000 that were reclassified from property, plant and equipment, prepaid land lease payments, and current portion of prepaid land lease payments included in prepayments, deposits and other receivables, respectively, adjusted by prepaid rental of HK$771,000 included in prepayments, deposits and other receivables and accrued effective rent of HK$1,814,000 included in accrued liabilities and other payables.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (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:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Using 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
- Excluding the initial direct costs from the measurement of the right-of-use asset at date of initial application

Financial impact at 1 January 2019

The impact arising from the adoption of HKFRS 16 as at 1 January 2019 was as follows:

	Increase/ (decrease) HK$'000
Assets	
Increase in right-of-use assets	224,523
Decrease in property, plant and equipment	(59,182)
Decrease in prepaid land lease payments	(118,135)
Decrease in prepayments, deposits and other receivables	(4,020)
Increase in total assets	43,186
Liabilities	
Increase in lease liabilities	45,000
Decrease in accrued liabilities and other payables	(1,814)
Increase in total liabilities	43,186

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Financial impact at 1 January 2019 (continued)

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

	HK$'000
Operating lease commitments as at 31 December 2018	**48,133**
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	(1,180)
Add: Payments for optional extension periods not recognised as at 31 December 2018	9,310
	56,263
Weighted average incremental borrowing rate as at 1 January 2019	4.58%
Discounted operating lease commitments and lease liabilities as at 1 January 2019	**45,000**

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 No mandatory effective date yet determined but available for adoption

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's interest in an associate is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

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

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

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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

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

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

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

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

Impairment of non-financial assets

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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

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

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

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

Construction in progress represents buildings, plant and machinery and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Inventories

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

Properties under development

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (applicable from 1 January 2019)

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

Group as a lessee

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

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less 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. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

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

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

(b) Lease liabilities

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (applicable from 1 January 2019) (continued)

Group as a lessee (continued)

(c) Short-term leases

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

Group as a lessor

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

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

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

Leases (applicable before 1 January 2019)

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (applicable before 1 January 2019) (continued)

When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Financial assets at fair value through profit or loss

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

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Impairment of financial assets

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

General approach

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

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach (continued)

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for accounts receivable which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

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

Derecognition of financial assets

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at amortised cost (loans and borrowings)

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

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

Derecognition of financial liabilities

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Offsetting of financial instruments

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

Borrowing costs

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

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

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

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

Income tax

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and an associate, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and an associate, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

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

Revenue recognition

Revenue from contracts with customers

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

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

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

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

Revenue from other sources

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

Other income

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contract liabilities

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

Employee benefits

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external professionally qualified valuer using the binomial/Black-Scholes option pricing model.

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

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Share-based payments (continued)

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

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

Pension schemes and other retirement benefits

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

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

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

Foreign currencies

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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

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

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in a separate component of equity. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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

Research and development costs

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Classification between investment properties and owner-occupied properties

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

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

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

Impairment of assets

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Withholding taxes arising from the distributions of dividends

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

Estimation uncertainty

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

Impairment allowance for accounts receivable

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

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's accounts receivable is disclosed in note 20 to the financial statements.

Provision of inventories

Management of the Group reviews the inventory ageing analysis at the end of each reporting period. This involves comparison of the carrying value of the aged inventory items with the respective fair value less costs to sell. The purpose is to ascertain whether provision is required to be made in the financial statements for any obsolete and slow-moving items. In addition, physical counts on all inventories are carried out on a periodic basis in order to determine whether provision needs to be made in respect of any obsolete and defective inventories identified.

4. OPERATING SEGMENT INFORMATION

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

(a) the fabric 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 service, 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.

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2019

	Fabric HK$'000	Garment HK$'000	Others HK$'000	Total HK$'000
Segment revenue: (note 5)				
Revenue from external customers	3,940,554	410,110	–	4,350,664
Intersegment sales	66,815	–	–	66,815
	4,007,369	410,110	–	4,417,479
Elimination of intersegment sales				(66,815)
				4,350,664
Segment profit/(loss)	158,382	3,677	(2,617)	159,442
Bank interest income	3,148	15	24	3,187
Finance costs (other than interest on lease liabilities)	(85,439)	(1,225)	–	(86,664)
Loss on deregistration of a subsidiary	(3,776)	–	–	(3,776)
Profit/(loss) before tax	72,315	2,467	(2,593)	72,189
Income tax credit/(expense)	(10,065)	(2,072)	196	(11,941)
Profit/(loss) for the year	62,250	395	(2,397)	60,248
Assets and liabilities				
Segment assets	4,402,750	250,482	146,152	4,799,384
Deferred tax assets	3,016	–	24,814	27,830
Total assets	4,405,766	250,482	170,966	4,827,214
Segment liabilities	2,777,285	40,200	13,769	2,831,254
Deferred tax liabilities	402	–	5,750	6,152
Total liabilities	2,777,687	40,200	19,519	2,837,406
Other segment information:				
Depreciation of property, plant and equipment	313,212	4,125	3,467	320,804
Depreciation of right-of-use assets	11,527	2,557	646	14,730
Gain on disposal of items of property, plant and equipment, net	(1)	–	–	(1)
Impairment/(write-back of impairment) of allowance for accounts receivable, net	2,439	(59)	2	2,382
Impairment of other receivables	–	–	83	83
Write-off of other receivables	439	–	–	439
Write-back of provision for inventories	(307)	–	–	(307)
Capital expenditure*	202,498	3,402	3,055	208,955

* Capital expenditure consists of additions of property, plant and equipment and certain right-of-use assets.

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2018

	Fabric HK$'000	Garment HK$'000	Others HK$'000	Total HK$'000
Segment revenue: (note 5)				
Revenue from external customers	4,445,414	205,544	–	4,650,958
Intersegment sales	33,416	–	–	33,416
	4,478,830	205,544	–	4,684,374
Elimination of intersegment sales				(33,416)
				4,650,958
Segment profit/(loss)	170,066	(12,556)	1,080	158,590
Bank interest income	509	7	21	537
Finance costs	(70,655)	(1,018)	–	(71,673)
Loss on deregistration of a subsidiary	–	(356)	–	(356)
Profit/(loss) before tax	99,920	(13,923)	1,101	87,098
Income tax credit/(expense)	(43,915)	903	26,208	(16,804)
Profit/(loss) for the year	56,005	(13,020)	27,309	70,294
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:				
Depreciation and amortisation	328,954	2,364	4,085	335,403
Loss on disposal of items of property, plant and equipment, net	71	–	5	76
Impairment/(write-back of impairment) of allowance for accounts receivable, net	(6,679)	276	–	(6,403)
Write-off of other receivables	700	–	–	700
Write-back of impairment of financial assets included in prepayment, deposits and other receivables, net	(558)	–	(210)	(768)
Write-back of provision for inventories	(642)	–	–	(642)
Impairment of goodwill	–	–	2,914	2,914
Capital expenditure*	283,665	29,562	3,358	316,585

* Capital expenditure consists of additions of and deposits for property, plant and equipment, additions of prepaid land lease payments and deposit for land use right.

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2019 HK$'000	2018 HK$'000
Korea	**1,253,923**	1,273,855
Mainland China	**1,192,981**	1,468,013
Hong Kong	**614,241**	551,754
Taiwan	**441,746**	372,330
Singapore	**179,864**	301,181
Others	**667,909**	683,825
	4,350,664	4,650,958

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

(b) Non-current assets

	2019 HK$'000	2018 HK$'000
Mainland China	**1,797,867**	1,911,148
Hong Kong	**71,975**	74,559
Cambodia	**51,143**	44,736
Singapore	**1,769**	122
Others	**36,080**	22,933
	1,958,834	2,053,498

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

Information about a major customer

During the years ended 31 December 2019 and 2018, the revenue from the Group's largest customer amounted to less than 10% of the Group's total revenue.

5. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	2019 HK$'000	2018 HK$'000
Revenue from contracts with customers		
Production and sale of knitted fabric and dyed yarn and provision of related subcontracting services	3,940,554	4,445,414
Production and sale of garment products and provision of related subcontracting services	410,110	205,544
	4,350,664	4,650,958

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2019

Segments	Fabric HK$'000	Garment HK$'000	Total HK$'000
Type of goods or services			
Sale of goods	3,940,554	393,629	4,334,183
Subcontracting services	–	16,481	16,481
Total revenue from contracts with customers	3,940,554	410,110	4,350,664
Geographical markets			
Korea	1,253,923	–	1,253,923
Mainland China	1,192,061	920	1,192,981
Hong Kong	428,530	185,711	614,241
Taiwan	441,746	–	441,746
Singapore	179,864	–	179,864
Others	444,430	223,479	667,909
Total revenue from contracts with customers	3,940,554	410,110	4,350,664
Timing of revenue recognition			
At a point in time	3,940,554	410,110	4,350,664

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

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

For the year ended 31 December 2018

Segments	Fabric HK$'000	Garment HK$'000	Total HK$'000
Type of goods or services			
Sale of goods	4,445,414	186,413	4,631,827
Subcontracting services	–	19,131	19,131
Total revenue from contracts with customers	4,445,414	205,544	4,650,958
Geographical markets			
Mainland China	1,467,704	309	1,468,013
Korea	1,273,855	–	1,273,855
Hong Kong	424,341	127,413	551,754
Taiwan	370,637	1,693	372,330
Singapore	294,842	6,339	301,181
Others	614,035	69,790	683,825
Total revenue from contracts with customers	4,445,414	205,544	4,650,958
Timing of revenue recognition			
At a point in time	4,445,414	205,544	4,650,958

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

	2019 HK$'000	2018 HK$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	**4,468**	8,339

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

Revenue from contracts with customers (continued)

(ii) Performance obligations

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

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

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

	Note	2019 HK$'000	2018 HK$'000
Other income			
Fee income from freight handling services		9,623	8,478
Bank interest income		3,187	537
Subsidy income from the People's Republic of China (the "PRC") government	7	4,380	6,118
Others		27,149	22,946
		44,339	38,079
Losses			
Fair value losses:			
Financial asset at fair value through profit or loss – held for trading		(25)	(154)
Other income and gains, net		44,314	37,925

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2019 HK$'000	2018 HK$'000
Interest on bank loans and overdrafts	75,507	67,244
Interest on discounted bills	20	100
Interest on lease liabilities	2,021	–
Interest on finance leases	–	43
Amortisation of bank charges on syndicated loans	11,137	4,286
	88,685	71,673

7. PROFIT BEFORE TAX

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

	Notes	2019 HK$'000	2018 HK$'000
Cost of inventories sold and services provided		**3,759,516**	4,070,280
Auditor's remuneration		**4,023**	3,868
Research and development costs		**119,677**	50,397
Depreciation of items of property, plant and equipment	13	**320,804**	331,934
Depreciation of right-of-use assets (2018: amortisation of prepaid land lease payments)	14(a), 14(b)	**14,730**	3,469
Employee benefit expense (excluding directors' remuneration – note 8):			
Wages and salaries		**526,908**	510,205
Pension scheme contributions		**58,074**	55,446
		584,982	565,651
Minimum lease payments under operating leases		**–**	8,704
Lease payments not included in the measurement of lease liabilities	14(d)	**1,126**	–
Loss/(gain) on disposal of items of property, plant and equipment, net*		**(1)**	76
Impairment/(write-back of impairment) of financial assets, net:			
Impairment/(write-back of impairment) of allowance for accounts receivable, net	20	**2,382**	(6,403)
Impairment of other receivables***		**83**	–
Write-back of impairment of financial assets included in prepayments, deposits and other receivables		**–**	(768)
		2,465	(7,171)
Write-off of other receivables*		**439**	700
Write-back of provision for inventories**		**(307)**	(642)
Impairment of goodwill*	15	**–**	2,914
Loss on deregistration of subsidiaries, net*	38(k)	**3,776**	356
Foreign exchange differences, net*		**(4,964)**	15,111
Subsidy income from the PRC government****		**(4,380)**	(6,118)

* These amounts are included in "Other operating expenses, net" on the face of the consolidated statement of profit or loss.

** These amounts are included in "Cost of sales" on the face of the consolidated statement of profit or loss.

*** Included in the above impairment allowance for other receivables as at 31 December 2019 was an allowance for other receivables of HK$83,000 with a carrying amount of HK$83,000 before impairment allowance. The impaired other receivables were not expected to be recovered.

**** There are no unfulfilled conditions or contingencies relating to these grants.

7. PROFIT BEFORE TAX (continued)

The cost of inventories sold and services provided includes depreciation, staff costs and write-back of provision for inventories of HK$764,556,000 (2018: HK$761,814,000), which are also included in the respective total amounts disclosed separately above.

The research and development costs include depreciation and staff costs of HK$54,808,000 for the year ended 31 December 2019 (2018: HK$22,198,000), which are also included in the respective total amounts disclosed separately above.

At 31 December 2019, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2018: Nil).

8. DIRECTORS' REMUNERATION

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

	2019 **HK$'000**	2018 HK$'000
Fees	**720**	720
Other emoluments:		
Salaries, allowances and benefits in kind	**17,441**	17,163
Discretionary bonuses	**1,295**	1,295
Pension scheme contributions	**72**	72
	18,808	18,530
	19,528	19,250

8. DIRECTORS' REMUNERATION (continued)

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2019					
Executive directors:					
Tai Chin Chun	–	5,348	411	18	5,777
Tai Chin Wen	–	4,343	334	18	4,695
Cheung So Wan	–	2,600	200	18	2,818
Wong Siu Yuk	–	2,600	200	18	2,818
Chong Chau Lam*	–	1,950	150	–	2,100
Non-executive director:					
Wong Wai Kong^	–	600	–	–	600
Independent non-executive directors:					
Ting Kay Loong	240	–	–	–	240
Ho Gilbert Chi Hang	240	–	–	–	240
Wu Tak Lung	240	–	–	–	240
Total	720	17,441	1,295	72	19,528
2018					
Executive directors:					
Tai Chin Chun	–	5,263	411	18	5,692
Tai Chin Wen	–	4,300	334	18	4,652
Cheung So Wan	–	2,540	200	18	2,758
Wong Siu Yuk	–	2,540	200	18	2,758
Chong Chau Lam*	–	1,920	150	–	2,070
Non-executive director:					
Wong Wai Kong^	–	600	–	–	600
Independent non-executive directors:					
Ting Kay Loong	240	–	–	–	240
Ho Gilbert Chi Hang	240	–	–	–	240
Wu Tak Lung	240	–	–	–	240
Total	720	17,163	1,295	72	19,250

* Subsequent to year end, Mr. Chong Chau Lam resigned as an executive director of the Company on 1 January 2020.

^ Dr. Wong Wai Kong was redesignated as a non-executive director of the Company with effect from 1 January 2018.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

During the year, no emolument (2018: Nil) was paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2018: four) directors, details of whose remuneration are set out in note 8 above. Details of the remaining one (2018: one) highest paid employee who is neither a director nor chief executive of the Company are as follows:

	2019 HK$'000	2018 HK$'000
Salaries, allowances and benefits in kind	2,578	2,387
Discretionary bonuses	98	98
Pension scheme contributions	18	18
	2,694	2,503

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2019	2018
HK$2,500,001 to HK$3,000,000	1	1

10. INCOME TAX

	2019 HK$'000	2018 HK$'000
Current tax – Hong Kong		
Charge for the year	7,529	7,914
Overprovision in prior years	(1,279)	(57)
Current tax – Elsewhere		
Charge for the year	–	8,725
Land appreciation tax	–	21,459
Underprovision in prior years	4,343	5,817
Deferred tax expense/(credit) (note 27)	1,348	(27,054)
Total tax charge for the year	11,941	16,804

Hong Kong profits tax has been provided on the estimated assessable profits arising in Hong Kong at the rate of 16.5% (2018: 16.5%), except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HK$2,000,000 (2018: Nil) 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.

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

During the year ended 31 December 2019 and 31 December 2018, certain of subsidiaries of the Group were subject to a preferential tax rate of 15% under High New Technology Enterprises.

10. INCOME TAX (continued)

PRC land appreciation tax

Land appreciation tax in the PRC is levied at progressive rates on the appreciation of land value under the applicable regulations.

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax at the statutory rates for the jurisdictions/countries in which the Company and the majority of its subsidiaries are domiciled to the tax expense/(credit) at the effective tax rates is as follows:

2019

	Hong Kong HK$'000	Mainland China HK$'000	Others HK$'000	Total HK$'000
Profit/(loss) before tax	40,461	40,704	(8,976)	72,189
Tax at the statutory tax rate	6,676	10,176	(1,795)	15,057
Lower tax rate enacted by local authority	(165)	(3,474)	–	(3,639)
Adjustments in respect of current tax of prior years	(1,279)	4,343	–	3,064
Income not subject to tax	(450)	(5,745)	–	(6,195)
Expenses not deductible for tax	2,854	3,084	98	6,036
Tax losses utilised	(827)	(922)	(53)	(1,802)
Tax losses not recognised	17	4,123	1,747	5,887
Others	646	(7,115)	2	(6,467)
Tax charge/(credit) at the Group's effective rate	7,472	4,470	(1)	11,941

2018

	Hong Kong HK$'000	Mainland China HK$'000	Others HK$'000	Total HK$'000
Profit/(loss) before tax	33,013	71,331	(17,246)	87,098
Tax at the statutory tax rate	5,447	17,833	(3,454)	19,826
Lower tax rate enacted by local authority	–	(5,348)	–	(5,348)
Adjustments in respect of current tax of prior years	(57)	5,822	(5)	5,760
Income not subject to tax	(204)	(7,518)	–	(7,722)
Expenses not deductible for tax	2,734	2,888	12	5,634
Tax losses utilised	(760)	(1,008)	(15)	(1,783)
Tax losses not recognised	159	5,389	3,470	9,018
Others	(1,421)	(7,147)	(13)	(8,581)
Tax charge/(credit) at the Group's effective rate	5,898	10,911	(5)	16,804

11. DIVIDEND

The proposed final dividend for the year of HK1.5 cents (2018: HK1.5 cents) per ordinary share, in aggregate of approximately HK$13,049,000 (2018: HK$13,049,000), is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. These financial statements do not reflect the final dividend payable.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK$60,091,000 (2018: HK$72,826,000), and 869,919,000 (2018: 869,919,000) ordinary shares in issue during the year.

The Company had no potentially dilutive ordinary shares during the years ended 31 December 2019 and 2018.

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2019						
Cost:						
At 31 December 2018	624,651	3,993,643	112,615	44,403	65,910	4,841,222
Effect of adoption of HKFRS 16	(71,374)	–	–	–	–	(71,374)
At 1 January 2019 (restated)	553,277	3,993,643	112,615	44,403	65,910	4,769,848
Additions	–	25,947	9,711	2,136	133,919	171,713
Disposals	–	–	(5)	(829)	–	(834)
Transfers	5,259	145,409	685	–	(151,353)	–
At 31 December 2019	558,536	4,164,999	123,006	45,710	48,476	4,940,727
Accumulated depreciation:						
At 31 December 2018	262,903	2,558,861	90,945	31,767	–	2,944,476
Effect of adoption of HKFRS 16	(12,192)	–	–	–	–	(12,192)
At 1 January 2019 (restated)	250,711	2,558,861	90,945	31,767	–	2,932,284
Charge for the year	25,688	281,849	8,614	4,653	_	320,804
Disposals	–	–	(5)	(829)	–	(834)
At 31 December 2019	276,399	2,840,710	99,554	35,591	–	3,252,254
Net book value:						
At 31 December 2019	282,137	1,324,289	23,452	10,119	48,476	1,688,473

13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and buildings HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2018						
Cost:						
At 1 January 2018	637,179	3,949,402	108,608	42,261	75,366	4,812,816
Additions	15,635	69,749	6,822	4,933	178,758	275,897
Disposals	–	(117)	(157)	(1,161)	–	(1,435)
Transfers	–	181,098	2,102	–	(183,200)	–
Exchange realignment	(28,163)	(206,489)	(4,760)	(1,630)	(5,014)	(246,056)
At 31 December 2018	624,651	3,993,643	112,615	44,403	65,910	4,841,222
Accumulated depreciation:						
At 1 January 2018	246,176	2,401,636	85,234	29,509	–	2,762,555
Charge for the year	29,734	287,815	9,854	4,531	–	331,934
Disposals	–	(48)	(157)	(1,037)	–	(1,242)
Exchange realignment	(13,007)	(130,542)	(3,986)	(1,236)	–	(148,771)
At 31 December 2018	262,903	2,558,861	90,945	31,767	–	2,944,476
Net book value:						
At 31 December 2018	361,748	1,434,782	21,670	12,636	65,910	1,896,746

As at 31 December 2019, the Group was in the process of applying for the building ownership certificates in respect of certain self-used properties with net book values of approximately HK$4.8 million (2018: HK$5.4 million) and approximately HK$39.4 million (2018: HK$106.7 million) situated in Nansha and Enping, the PRC, respectively. The Company's directors confirmed that, based on the advice from the Company's legal counsel, as the Group has properly obtained the land use right certificates in respect of the land on which the aforementioned self-used properties are erected, they are therefore in the opinion that there is no legal barrier or otherwise for the Group to obtain the building ownership certificates from the relevant Mainland China authority.

At 31 December 2018, certain of the Group's land and buildings with a net carrying amount of HK$56,848,000 were pledged to secure a bank loan of HK$9,940,000 granted to the Group (note 25).

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

14. LEASES

The Group as a lessee

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

(a) Prepaid land lease payments (before 1 January 2019)

	HK$'000
Carrying amount at 1 January 2018	134,751
Additions during the year	21,943
Transfer to properties under development (note 18)	(25,255)
Amortised during the year	(3,469)
Exchange realignment	(6,586)
Carrying amount at 31 December 2018	121,384
Current portion included in prepayments, deposits and other receivables	(3,249)
Non-current portion	118,135

(b) Right-of-use assets

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

	Land lease payments HK$'000	**Buildings HK$'000**	**Plant and machinery HK$'000**	**Motor vehicle HK$'000**	**Total HK$'000**
As at 1 January 2019	215,760	7,532	1,231	–	224,523
Additions	36,690	2,198	–	796	39,684
Depreciation charge	(11,609)	(2,354)	(700)	(67)	(14,730)
As at 31 December 2019	240,841	7,376	531	729	249,477

14. LEASES (continued)

The Group as a lessee (continued)

(c) Lease liabilities

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

	2019 HK$'000
Carrying amount at 1 January	**45,000**
New leases	**4,882**
Accretion of interest recognised during the year	**2,021**
Payments	**(8,172)**
Carrying amount at 31 December	**43,731**
Analysed into:	
Current portion	**8,886**
Non-current portion	**34,845**

The maturity analysis of lease liabilities is disclosed in note 36 to the financial statements.

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

	2019 HK$'000
Interest on lease liabilities	**2,021**
Depreciation charge of right-of-use assets	**14,730**
Expenses relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019	
– included in cost of sales	394
– included in administrative expenses	732
	1,126
Total amount recognised in profit or loss	**17,877**

(e) Extension options

The Group has several lease contracts that include extension options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and they are aligned with the Group's business needs.

14. LEASES (continued)

The Group as a lessee (continued)

(f) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 26(c) and 31, respectively, to the financial statements.

The Group as a lessor

The Group leases certain of its property (note 13) under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rental adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was HK$449,000 (2018: HK$392,000).

As at 31 December 2019, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2019 HK$'000	2018 HK$'000
Within one year	**122**	90
After one year but within two years	**40**	5
After two years but within three years	**40**	–
After three years but within four years	**40**	–
After four years but within five years	**40**	–
After five years	**150**	–
	432	95

15. GOODWILL

	HK$'000
Cost:	
At 1 January 2018	12,581
Exchange realignment	(643)
At 31 December 2018, 1 January 2019 and 31 December 2019	11,938
Accumulated impairment:	
At 1 January 2018	9,509
Impairment during the year (note 7)	2,914
Exchange realignment	(485)
At 31 December 2018, 1 January 2019 and 31 December 2019	11,938
Net carrying amount:	
At 31 December 2019	–
At 31 December 2018	–

Impairment testing of goodwill

Goodwill acquired through a business combination during the year ended 31 December 2016 had been allocated to cash-generating units (the "CGU") from the acquisition of 廣州市番禺東涌工業污水處理有限公司 ("Sewage Treatment Company"), which is a component of the "Others" operating segment, for impairment testing.

As at 31 December 2018, the recoverable amount of the CGU had been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period with a growth rate approved by senior management, which was based on management's expectation for market development. The discount rate applied to the cash flow projections was 14.6% and cash flows beyond the five-year period were extrapolated using a growth rate of 2.5%.

Assumptions were used in the value-in-use calculation of the CGU for the year ended 31 December 2018. The following describes each key assumption on which management had based its cash flow projections to undertake impairment testing of goodwill:

Budgeted profit – The basis used to determine the value assigned to the budgeted profit is the profit achieved in the year immediately before the budget year, adjusted for expected efficiency improvement, and expected market development.

Discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant unit.

As at 31 December 2018, the estimated recoverable amount of the CGU of HK$40,682,000 was below its carrying amount and an impairment loss of HK$2,914,000 was recognised in the consolidated income statement. The impairment was made based on the result of impairment test for the goodwill using the value in use in accordance with HKAS 36, which incorporated the deteriorated results of the CGU during the year ended 31 December 2018.

16. INTEREST IN AN ASSOCIATE

	2019 HK$'000	2018 HK$'000
Share of net assets	–	–

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

Particulars of the associate are as follows:

Name	Particulars of issued shares held	Place of incorporation/ business	Percentage of ownership interest attributable to the Group		Principal activity
			2019	2018	
Kam Hing International Limited* ("Kam Hing International")	Ordinary shares of US$1 each	BVI	25	25	Investment holding

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

As at 31 December 2019, the Group's shareholding in Kam Hing International is held through a wholly-owned subsidiary of the Company.

The Group has discontinued the recognition of its share of losses of an associate because the share of losses of the associate exceeded the Group's interest in the associate and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of losses of this associate for the current year and cumulatively were HK$244,000 (2018: HK$195,000) and HK$536,000 (2018: HK$292,000), respectively.

16. INTEREST IN AN ASSOCIATE (continued)

The following table illustrates the financial information of the Group's associate that is not material:

	2019 HK$'000	2018 HK$'000
Share of the associate's loss for the year	–	–
Share of the associate's total comprehensive expenses	–	–
Carrying amount of the Group's interest in the associate	–	–

17. DEPOSITS PAID

	2019 HK$'000	2018 HK$'000
Deposits paid for:		
Acquisition of		
Property, plant and equipment	11,967	7,279
Right-of-use assets	793	22,932
Others	2,277	2,243
	15,037	32,454

18. PROPERTIES UNDER DEVELOPMENT

	2019 HK$'000	2018 HK$'000
At the beginning of the reporting period	42,846	–
Transfers from prepaid land lease payments (note 14)	–	25,255
Additions	13,268	19,348
Exchange realignment	–	(1,757)
At the end of the reporting period	56,114	42,846

19. INVENTORIES

	2019 HK$'000	2018 HK$'000
Raw materials	490,269	554,861
Work in progress	275,721	326,927
Finished goods	258,790	245,570
	1,024,780	1,127,358

20. ACCOUNTS AND BILLS RECEIVABLES

	2019 HK$'000	2018 HK$'000
Accounts receivable	**622,338**	756,587
Impairment	**(8,718)**	(7,697)
	613,620	748,890
Bills receivable	**232,370**	241,658
	845,990	990,548

The Group's trading terms with its customers are generally on credit with terms of up to three months and are non-interest-bearing (except for certain well-established customers with strong financial strength, good repayment history and creditworthiness, where the credit terms are extended to six months). The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's accounts and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its accounts and bills receivables balances.

At 31 December 2019, the Group has pledged accounts receivable of HK$10,307,000 (2018: Nil) to secure bank loans of HK$10,307,000 granted to the Group (note 25).

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

	2019 HK$'000	2018 HK$'000
Within 1 month	**313,764**	399,424
1 to 2 months	**216,949**	224,629
2 to 3 months	**118,246**	144,496
Over 3 months	**197,031**	221,999
	845,990	990,548

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

	2019 HK$'000	2018 HK$'000
At 1 January	**7,697**	15,175
Impairment/(write-back of impairment) losses, net (note 7)	**2,382**	(6,403)
Write-off as uncollectible	**(1,361)**	(760)
Exchange realignment	**–**	(315)
At 31 December	**8,718**	7,697

20. ACCOUNTS AND BILLS RECEIVABLES (continued)

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

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

As at 31 December 2019

		Past due			
	Current	Less than 1 month	1 to 6 months	Over 6 months	Total
Expected credit loss rate	**0%**	**0%**	**2.6%**	**29.5%**	**1.4%**
Gross carrying amount (HK$'000)	**444,288**	**105,614**	**46,964**	**25,472**	**622,338**
Expected credit losses (HK$'000)	**–**	**–**	**1,202**	**7,516**	**8,718**

As at 31 December 2018

		Past due			
	Current	Less than 1 month	1 to 6 months	Over 6 months	Total
Expected credit loss rate	0%	0.5%	4.3%	100%	1.0%
Gross carrying amount (HK$'000)	546,395	149,931	55,626	4,635	756,587
Expected credit losses (HK$'000)	–	685	2,377	4,635	7,697

21. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 HK$'000	2018 HK$'000
Listed equity investment, at fair value	**135**	160

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

22. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Notes	2019 HK$'000	2018 HK$'000
Cash and bank balances		**432,820**	558,249
Time deposits		**340,137**	–
Pledged deposits		**55,552**	58,967
		828,509	617,216
Less: Pledged deposits for bank loans	25	**–**	(1,599)
Pledged deposits for bills payable	23	**(55,552)**	(55,250)
Pledged deposits for general banking facilities*		**–**	(2,118)
Cash and cash equivalents		**772,957**	558,249

* The balance was pledged to banks in respect of general trading facilities granted by banks to a subsidiary of the Company.

As at 31 December 2019, the cash and bank balances of the Group denominated in RMB amounted to approximately HK$77,205,000 (2018: HK$92,516,000). RMB is not freely convertible into other currencies, however, under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for period of one month and earn interest at the respective short-term time deposit rates. Pledged bank deposits earn interest at the respective short-term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

23. ACCOUNTS AND BILLS PAYABLES

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

	2019 HK$'000	2018 HK$'000
Within 3 months	**587,202**	650,850
3 to 6 months	**75,162**	129,307
Over 6 months	**889**	1,637
	663,253	781,794

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

As at 31 December 2019, bills payable of HK$146,778,000 (2018: HK$203,645,000) were included in the above accounts and were secured by the Group's pledged bank deposits of HK$55,552,000 (2018: HK$55,250,000) (note 22).

24. ACCRUED LIABILITIES AND OTHER PAYABLES

(a) Included in accrued liabilities and other payables were contract liabilities of HK$6,507,000 as at 31 December 2019, HK$4,468,000 as at 31 December 2018 and HK$8,339,000 as at 1 January 2018.

Contract liabilities include short-term deposits received to deliver knitted fabric, dyed yarns and garment products and provision of related subcontracting services. The increase in contract liabilities in 2019 was mainly due to the increase in short-term deposits received from customers in relation to the sales of garment products.

(b) As a result of the initial application of HKFRS 16, accrued lease payments of HK$1,814,000 previously included in "Accrued liabilities and other payables" were adjusted to the right-of-use assets recognised at 1 January 2019 (refer to note 2.2 to the financial statements for further details).

25. INTEREST-BEARING BANK BORROWINGS

	2019			2018		
	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000
Current (Note)						
Bank loans – secured	HIBOR/LIBOR + 1.0	2020	10,307	HIBOR/LIBOR + 0.95 to 1.55	2019	21,280
Bank loans – unsecured	HIBOR/LIBOR/ Cost of fund + 0.85 to 1.95	2020 or on demand	593,005	Weighted average of 3.9 and HIBOR/LIBOR + 0.7 to 1.95	2019 or on demand	1,154,721
			603,312			1,176,001
Non-current						
Bank loan – secured	–	–	–	HIBOR + 1.55	2020	4,260
Bank loans – unsecured	HIBOR + 1.95	2021–2023	1,308,003	HIBOR + 1.55 to 1.95	2020–2022	823,333
			1,308,003			827,593
			1,911,315			2,003,594

25. INTEREST-BEARING BANK BORROWINGS (continued)

	2019 HK$'000	2018 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand (Note)	**603,312**	1,176,001
In the second year	**339,428**	552,547
In the third to fifth years, inclusive	**968,575**	275,046
	1,911,315	2,003,594

Note: For the purpose of the above analysis, the Group's bank loans in the amount of HK$187,500,000 (2018: HK$128,808,000) containing a repayment on demand clause are included within current interest-bearing bank borrowings and analysed into bank loans within one year or on demand.

Based on the maturity terms of the bank loans, the amounts repayable in respect of the bank loans are: HK$415,812,000 (2018: HK$1,047,193,000) repayable within one year; HK$459,428,000 (2018: HK$614,714,000) repayable in the second year; and HK$1,036,075,000 (2018: HK$341,687,000) repayable in the third to fifth years, inclusive.

As at 31 December 2019, save as disclosed elsewhere in these financial statements, the banking facilities of the Group were also supported by corporate guarantees executed by the Company and certain subsidiaries of the Company, and the pledge of certain accounts receivable (note 20).

As at 31 December 2018, save as disclosed elsewhere in these financial statements, the banking facilities of the Group were also supported by corporate guarantees executed by the Company and certain subsidiaries of the Company, the pledge of certain property, plant and equipment (note 13), and the pledge of certain time deposits (note 22).

26. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, non-current deposits paid of HK$7,279,000 (2018: HK$12,456,000) and HK$22,932,000 (2018: Nil) were transferred to property, plant and equipment and right-of-use assets, respectively.

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK$4,882,000 and HK$4,882,000 respectively, in respect of lease arrangements (2018: Nil).

(b) Changes in liabilities arising from financing activities

	Bank loans HK$'000	Finance lease payables/ Lease liabilities HK$'000
At 1 January 2018	1,790,421	4,393
Changes from financing cash flows	208,887	(4,393)
Interest expense	71,630	43
Interest paid classified as operating cash flows	(67,344)	(43)
At 31 December 2018	2,003,594	–
Effect of adoption of HKFRS 16	–	45,000
At 1 January 2019 (restated)	2,003,594	45,000
Changes from financing cash flows	(103,416)	(6,151)
New leases	–	4,882
Interest expense	86,664	2,021
Interest paid classified as operating cash flows	(75,527)	(2,021)
At 31 December 2019	1,911,315	43,731

(c) Total cash outflow for leases

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

	2019 HK$'000
Within operating activities	2,021
Within financing activities	6,151
	8,172

27. DEFERRED TAX

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

Deferred tax assets

	Losses available for offsetting against future taxable profits		Deductible temporary difference		Total	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
At 1 January	**903**	–	**28,333**	4,409	**29,236**	4,409
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	**(903)**	903	**(503)**	25,247	**(1,406)**	26,150
Exchange realignment	**–**	–	**–**	(1,323)	**–**	(1,323)
At 31 December	**–**	903	**27,830**	28,333	**27,830**	29,236

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation		Fair value adjustments arising from acquisition of a subsidiary		Total	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
At 1 January	**79**	600	**6,131**	6,865	**6,210**	7,465
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	**322**	(521)	**(380)**	(383)	**(58)**	(904)
Exchange realignment	**–**	–	**–**	(351)	**–**	(351)
At 31 December	**401**	79	**5,751**	6,131	**6,152**	6,210

27. DEFERRED TAX (continued)

Deferred tax liabilities (continued)

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. At 31 December 2019, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with interests in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$355 million at 31 December 2019 (2018: HK$333 million).

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

The Group has estimated tax losses arising in Hong Kong, Mainland China, Singapore and Cambodia of HK$85,886,000 (2018: HK$63,518,000) that are available for offsetting against future taxable profits of the Company and the respective subsidiaries in which the losses arose. No deferred tax assets have been recognised in respect of these losses as the directors consider it is not probable that future taxable profit will be available against which these tax losses can be utilised. Included in unrecognised tax losses are losses of HK$38,029,000 (2018: HK$43,245,000) and HK$26,201,000 (2018: Nil) that will expire within five years and ten years, respectively, from the date the losses arose. Other losses can be carried forward indefinitely.

28. SHARE CAPITAL

	2019 HK$'000	2018 HK$'000
Authorised:		
2,000,000,000 (2018: 2,000,000,000) ordinary shares of HK$0.1 each	**200,000**	200,000
Issued and fully paid:		
869,919,000 (2018: 869,919,000) ordinary shares of HK$0.1 each	**86,992**	86,992

Share options

Details of the Company's share option scheme are included in note 29 to the financial statements.

29. SHARE OPTION SCHEME

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

The maximum number of shares which may be allotted and issued upon the exercise of the share options to be granted under the Scheme is 86,991,900 shares, representing 10% of the share capital of the Company as at the date of adoption of the scheme mandate limit and as at 31 December 2019. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

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

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

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

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

29. SHARE OPTION SCHEME (continued)

During the year, no share options were granted by the Company under the Scheme.

At the date of approval of these financial statements, the Company had no share options outstanding under the Scheme.

30. RESERVES

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

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

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

31. COMMITMENTS

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

	2019 HK$'000	2018 HK$'000
Contracted but not provided for:		
Purchases of machinery	**6,841**	6,346
Purchases of land and buildings	**–**	545
Construction in progress	**40,696**	26,791
Construction of new manufacturing facilities	**184,217**	184,217
Construction of properties under development	**9,256**	15,258
	241,010	233,157

The Group had outstanding commitments amounting to HK$406,661,000 (2018: HK$573,455,000) as at the end of the reporting period in respect of the investments in subsidiaries.

At 31 December 2019, the Group had outstanding irrevocable letters of credit amounting to HK$139,487,000 (2018: HK$138,641,000).

(b) Operating lease commitments as at 31 December 2018

The Group leased certain properties and plant and machinery under operating lease arrangements, with leases negotiated for terms ranging from one to fifty years.

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 HK$'000
Within one year	7,527
In the second to fifth years, inclusive	17,899
After five years	22,707
	48,133

(c) The Group has various lease contracts that have not yet commenced as at 31 December 2019. The future lease payments for these non-cancellable lease contracts are HK$545,000.

32. RELATED PARTY TRANSACTIONS

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

	Notes	2019 HK$'000	2018 HK$'000
Rental expenses on office premises and staff quarters paid to Tai Chin Chun and Tai Chin Wen	(i)	**408**	462
Rental expenses on staff quarters and car park spaces paid to Cheung So Wan and Wong Siu Yuk	(ii)	**421**	549
Rental expenses on staff quarters paid to Tai Tang Tat	(iii)	**46**	113

The Group leased properties from Ms. Cheung So Wan and Ms. Wong Siu Yuk for staff quarters (note (iv)). The monthly lease payable was determined on basis mutually agreed by both parties. Right-of-use assets of HK$368,000 and lease liabilities of HK$373,000 in respect of these leases were recognised in consolidated statement of financial position as at 31 December 2019. During the year ended 31 December 2019, depreciation of right-of-use assets of HK$151,000 and interest expense on lease liabilities of HK$13,000 were charged to consolidated statement of profit or loss.

The Group leased properties from Mr. Tai Tang Tat for staff quarters (note (v)). The monthly lease payable was determined on basis mutually agreed by both parties. Right-of-use assets of HK$156,000 and lease liabilities of HK$157,000 in respect of these leases were recognised in consolidated statement of financial position as at 31 December 2019. During the year ended 31 December 2019, depreciation of right-of-use assets of HK$64,000 and interest expense on lease liabilities of HK$5,000 were charged to consolidated statement of profit or loss.

32. RELATED PARTY TRANSACTIONS (continued)

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

Notes:

(i) The Group entered into tenancy agreements with Mr. Tai Chin Chun and Mr. Tai Chin Wen, directors of the Company, for the rental of (i) store rooms at a monthly rental of HK$27,000 from 1 May 2016 for terms of two years, (ii) staff quarters at a monthly rental of HK$27,000 from 1 May 2018 to 31 August 2018, at a monthly rental of HK$31,500 from 1 September 2018 to 31 August 2019, and at a monthly rental of HK$39,000 from 1 September 2019 to 31 August 2020, and (iii) staff quarters at a monthly rental of HK$15,000 from 1 January 2018 to 31 August 2018, respectively, based on the terms mutually agreed by both parties.

(ii) The Group entered into tenancy agreements with Ms. Cheung So Wan and Ms. Wong Siu Yuk, directors of the Company, for the rental of (i) staff quarters at monthly rental of approximately HK$17,000 (2018: HK$17,000) from 1 July 2017 for terms of two years and six months, which were early terminated with effect from 31 May 2019, and (ii) car park spaces at monthly rentals of HK$20,000 (2018: HK$20,000) and HK$8,000 (2018: HK$8,000) from 1 June 2017 and 1 July 2017, respectively, for terms of two years, based on the terms mutually agreed by both parties. During the year ended 31 December 2019, the lease terms of the tenancy agreements of the car park spaces were extended for terms of one year.

(iii) The Group entered into a tenancy agreement with Mr. Tai Tang Tat, a son of Mr. Tai Chin Wen and Ms. Wong Siu Yuk, for the rental of staff quarters at a monthly rental of approximately HK$9,100 (2018: HK$9,400) from 1 March 2016 to 31 May 2019, based on the terms mutually agreed by both parties.

(iv) The Group entered into tenancy agreements with Ms. Cheung So Wan and Ms. Wong Siu Yuk, directors of the Company, for the rental of staff quarters at monthly rental of approximately HK$22,700 (2018: Nil) from 1 June 2019 for terms of two years, based on the terms mutually agreed by both parties.

(v) The Group entered into a tenancy agreement with Mr. Tai Tang Tat, a son of Mr. Tai Chin Wen and Ms. Wong Siu Yuk, for the rental of staff quarters at a monthly rental of approximately HK$9,700 (2018: Nil) from 1 June 2019 to 31 May 2021, based on the terms mutually agreed by both parties.

(b) The Group is still in the process of applying for the land use planning for construction work permit, construction project and planning permit, and commencement of construction work permit in respect of a six-storey factory building, with a net book value of approximately HK$1.1 million (2018: HK$1.2 million) as at 31 December 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 the aforementioned buildings/structures.

(c) Outstanding balance with a related party:

Details of the Group's balance with its associate as at the end of the reporting period are disclosed in note 16 to the financial statements.

32. RELATED PARTY TRANSACTIONS (continued)

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

	2019 HK$'000	2018 HK$'000
Short-term employee benefits	31,182	27,217
Post-employment benefits	424	162
	31,606	27,379

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

33. FINANCIAL INSTRUMENTS BY CATEGORY

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

2019

Financial assets

	Financial asset at fair value through profit or loss – held for trading HK$'000	Financial assets at amortised cost HK$'000	Total HK$'000
Accounts and bills receivables	–	845,990	845,990
Financial assets included in prepayments, deposits and other receivables	–	44,817	44,817
Financial asset at fair value through profit or loss	135	–	135
Pledged deposits	–	55,552	55,552
Cash and cash equivalents	–	772,957	772,957
	135	1,719,316	1,719,451

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Accounts and bills payables	663,253
Financial liabilities included in accrued liabilities and other payables	56,426
Due to an associate	951
Interest-bearing bank borrowings	1,911,315
Lease liabilities	43,731
	2,675,676

33. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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

2018

Financial assets

	Financial asset at fair value through profit or loss – held for trading HK$'000	Financial assets at amortised cost HK$'000	Total HK$'000
Accounts and bills receivables	–	990,548	990,548
Financial assets included in prepayments, deposits and other receivables	–	73,529	73,529
Financial asset at fair value through profit or loss	160	–	160
Pledged deposits	–	58,967	58,967
Cash and cash equivalents	–	558,249	558,249
	160	1,681,293	1,681,453

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Accounts and bills payables	781,794
Financial liabilities included in accrued liabilities and other payables	69,792
Due to an associate	1,926
Interest-bearing bank borrowings	2,003,594
	2,857,106

34. TRANSFERS OF FINANCIAL ASSETS

Transferred financial assets that are not derecognised in their entirety

At 31 December 2019, the Group endorsed certain bank bills receivable and commercial bills receivable in the PRC (the "Endorsed Bills") with a carrying amount of RMB41,480,000 (equivalent to HK$47,136,000) (2018: RMB7,401,000 (equivalent to HK$8,410,000)) to certain suppliers in order to settle the accounts payable or other payables due to or make prepayments to such suppliers (the "Endorsement"). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated accounts payable or other payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of accounts payable and other payables settled and prepayments to suppliers made by the Endorsed Bills during the year was RMB41,480,000 (equivalent to HK$47,136,000) (2018: RMB7,401,000 (equivalent to HK$8,410,000)) as at 31 December 2019.

34. TRANSFERS OF FINANCIAL ASSETS (continued)

Transferred financial assets that are derecognised in their entirety

(a) Bills endorsement under the Law of Negotiable Instruments of the PRC

At 31 December 2019, the Group endorsed certain bank bills receivable in the PRC (the "Derecognised Bills") which were originally endorsed or issued by its customers, to certain of its suppliers for settling the accounts payable or other payables due to such suppliers in aggregate of RMB85,388,000 (equivalent to HK$97,032,000) (2018: RMB74,310,000 (equivalent to HK$84,443,000)). The Derecognised Bills have a remaining maturity from one to six months (2018: one to five 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 risks and rewards related to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated accounts payable or other payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors of the Company, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the years ended 31 December 2019 and 31 December 2018, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were derecognised from the Continuing Involvement, both during the year or cumulatively. The Endorsement has been made evenly throughout the years ended 31 December 2019 and 31 December 2018.

(b) Discounting of bills receivable

At 31 December 2018, the Group discounted certain bills receivable (the "Derecognised Discounted Bills") with a carrying amount of HK$12,732,000 to certain reputable banks in Hong Kong. In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Discounted Bills which were discounted on a non-recourse basis. Accordingly, it has derecognised the full carrying amounts of the Derecognised Discounted Bills. All Derecognised Discounted Bills have a remaining maturity period of one month at the end of the reporting period.

During the year ended 31 December 2018, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Discounted Bills.

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

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

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

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

Assets measured at fair value:

	Fair value measurement using quoted prices in active markets (Level 1) HK$'000
As at 31 December 2019	
Financial asset at fair value through profit or loss	**135**
As at 31 December 2018	
Financial asset at fair value through profit or loss	**160**

As at 31 December 2019, the Group had no financial instrument measured at fair value under Level 3 (2018: Nil).

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets (2018: Nil).

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Interest rate risk

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

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

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

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

	Increase in interest rate %	Decrease in the Group's profit before tax HK$'000
2019	**1**	**19,113**
2018	1	20,036

Foreign currency risk

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

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

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in RMB rate %	Increase/ (decrease) in the Group's profit before tax HK$'000
2019		
If Hong Kong dollar weakens against RMB	**3**	**(2,363)**
If Hong Kong dollar strengthens against RMB	**(3)**	**2,363**
2018		
If Hong Kong dollar weakens against RMB	3	(3,664)
If Hong Kong dollar strengthens against RMB	(3)	3,664

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

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

Maximum exposure and year-end staging

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

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Accounts receivable*	–	–	–	622,338	622,338
Bills receivable – Normal**	232,370	–	–	–	232,370
Financial assets included in prepayments, deposits and other receivables					
– Normal**	44,817	–	–	–	44,817
– Doubtful**	–	–	190	–	190
Pledged deposits					
– Not yet past due	55,552	–	–	–	55,552
Cash and cash equivalents					
– Not yet past due	772,957	–	–	–	772,957
	1,105,696	–	190	622,338	1,728,224

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

As at 31 December 2018

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Accounts receivable*	–	–	–	756,587	756,587
Bills receivable – Normal**	241,658	–	–	–	241,658
Financial assets included in prepayments, deposits and other receivables					
– Normal**	73,529	–	–	–	73,529
– Doubtful**	–	–	1,047	–	1,047
Pledged deposits					
– Not yet past due	58,967	–	–	–	58,967
Cash and cash equivalents					
– Not yet past due	558,249	–	–	–	558,249
	932,403	–	1,047	756,587	1,690,037

* For accounts receivable to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 20 to the financial statements, respectively.

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

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

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

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

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

	2019			
	On demand or less than 12 months HK$'000	**1 to 5 years HK$'000**	**Over 5 years HK$'000**	**Total HK$'000**
Accounts and bills payables	**663,253**	**–**	**–**	**663,253**
Financial liabilities included in accrued liabilities and other payables	**56,426**	**–**	**–**	**56,426**
Due to an associate	**951**	**–**	**–**	**951**
Interest-bearing bank borrowings*	**608,884**	**1,320,000**	**–**	**1,928,884**
Lease liabilities	**10,673**	**24,706**	**17,005**	**52,384**
	1,340,187	**1,344,706**	**17,005**	**2,701,898**

	2018		
	On demand or less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Accounts and bills payables	781,794	–	781,794
Financial liabilities included in accrued liabilities and other payables	69,792	–	69,792
Due to an associate	1,926	–	1,926
Interest-bearing bank borrowings*	1,180,287	832,512	2,012,799
	2,033,799	832,512	2,866,311

* Included in interest-bearing bank borrowings are bank loans of HK$187,500,000 (2018: HK$128,808,000) containing a repayment on demand clause giving the lender the unconditional right to call the loan at any time and therefore, for the purpose of the above maturity profile, these amounts are classified as "on demand".

Notwithstanding the above repayment on demand clause, the directors do not believe that the bank loans will be called in their entirety within 12 months, and they consider that the bank loans will be repaid in accordance with the maturity dates as set out in the respective agreements. This evaluation was made considering: the financial position of the Group at the date of approval of the financial statements; the Group's compliance with the loan covenants; the lack of events of default, and the fact that the Group has made all previously scheduled repayments on time. In accordance with the terms of the bank loans, their maturity terms at 31 December 2019 are HK$421,384,000 in 2020, HK$465,000,000 in 2021, HK$717,500,000 in 2022, and HK$325,000,000 in 2023 (2018: HK$1,051,479,000 in 2019, HK$619,000,000 in 2020, HK$342,141,000 in 2021, and HK$179,000 in 2022).

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 31 December 2018.

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

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

	31 December 2019 HK$'000	31 December 2018 HK$'000
Interest-bearing bank borrowings (note 25)	**1,911,315**	2,003,594
Accounts and bills payables	**663,253**	781,794
Accrued liabilities and other payables	**201,840**	228,155
Due to an associate	**951**	1,926
Lease liabilities	**43,731**	–
Less: Cash and cash equivalents	**(772,957)**	(558,249)
Net debt	**2,048,133**	2,457,220
Equity attributable to ordinary equity holders of the Company and total capital	**1,990,763**	1,941,483
Capital and net debt	**4,038,896**	4,398,703
Gearing ratio	**50.7%**	55.9%

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS		
Interests in a subsidiary	**402,207**	402,207
CURRENT ASSETS		
Prepayments	**62**	–
Due from a subsidiary	**758,048**	596,880
Cash and cash equivalents	**2,963**	4,191
Total current assets	**761,073**	601,071
CURRENT LIABILITIES		
Accrued liabilities and other payables	**118**	86
NET CURRENT ASSETS	**760,955**	600,985
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,163,162**	1,003,192
Net assets	**1,163,162**	1,003,192
EQUITY		
Issued capital	**86,992**	86,992
Reserves (Note)	**1,076,170**	916,200
Total equity	**1,163,162**	1,003,192

Note:

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

	Share premium account HK$'000	**Capital reserve** HK$'000	**Retained profits** HK$'000	**Total** HK$'000
At 1 January 2018	446,105	402,007	82,244	930,356
Final 2017 dividend declared and paid	–	–	(13,049)	(13,049)
Loss and total comprehensive expenses for the year	–	–	(1,107)	(1,107)
At 31 December 2018 and 1 January 2019	446,105	402,007	68,088	916,200
Final 2018 dividend declared and paid	–	–	(13,049)	(13,049)
Profit and total comprehensive income for the year	–	–	173,019	173,019
At 31 December 2019	446,105	402,007	228,058	1,076,170

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note: (continued)

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

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES

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

Name	Place of incorporation/ registration and operations	Issued ordinary share/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			2019	2018	
Directly held:					
Joint Result*	BVI/ Hong Kong	US$10,000	**100**	100	Investment holding
Indirectly held:					
Highkeen Enterprises Limited*	BVI/ Hong Kong	US$1,000	**100**	100	Investment holding
Kam Hing Textile (International) Limited ("KH Textile")	Hong Kong	Ordinary HK$2 Non-voting deferred HK$10,000,000 (Note (a))	**100**	100	Investment holding
En Ping Kam Hing Textile and Dyeing Co. Ltd. ("En Ping KH")*	PRC/ Mainland China	US$75,878,000 (Note (b))	**100**	100	Manufacture and trading of knitted and dyed fabrics
En Ping Kam Lap Textile and Dyeing Co. Ltd ("En Ping KL")*	PRC/ Mainland China	– (2018: US$20,000,000) (Note (c))	**–**	77	Manufacture and trading of knitted and dyed fabrics
Guangzhou Kam Sing Textile and Dyeing Co. Ltd. ("Kam Sing")*	PRC/ Mainland China	HK$117,620,000 (2018: HK$56,000,000) (Note (d))	**100**	100	Manufacture and trading of knitted and dyed fabrics

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

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

Name	Place of incorporation/ registration and operations	Issued ordinary share/ paid-up capital	Percentage of equity attributable to the Company 2019	2018	Principal activities
Indirectly held: (continued)					
Guangzhou Kamhing Textile Dyeing Co., Ltd. ("Guangzhou KH")*	PRC/ Mainland China	US$166,371,000 (Note (e))	**100**	100	Manufacture and trading of knitted and dyed fabrics
Sparkle Logistics Limited*	Hong Kong	HK$3,800,000	**92**	92	Provision of air and ocean freight services
Kam Hing Textile Macao Commercial Offshore Company Limited	Macau	Pataca 100,000	**100**	100	Sourcing agent and trading of yarns and dyeing materials
Kam Hing Piece Works Limited ("KH Piece Works")	Hong Kong	Ordinary HK$2 Non-voting deferred HK$1,000,010 (Note (a))	**100**	100	Trading of finished fabrics
Json Garment Company Limited ("Json")	Hong Kong	HK$10,000,000	**80**	80	Trading of garment products
錦興(中國)企業管理有限公司 ("KH China")*	PRC/ Mainland China	US$16,100,000 (Note (f))	**100**	100	Property holding and provision of corporate management, sales planning and consultancy services
Lunar Dragon Holdings Limited*	Hong Kong	HK$1	**100**	100	Property holding
Sewage Treatment Company*	PRC/ Mainland China	RMB200,000	**100**	100	Provision of sewage treatment service
Jade Sun Garment (Cambodia) Co., Ltd. ("Jade Sun")*	Kingdom of Cambodia	US$3,000,000 (2018: US$1,200,000) (Note (g))	**80**	80	Manufacture and trading of garment products
JH Garment (Cambodia) Co., Ltd. ("JH Garment")*	Kingdom of Cambodia	US$1,500,000 (2018: Nil) (Note (h))	**80**	80	Manufacture and trading of garment products

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

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

Name	Place of incorporation/ registration and operations	Issued ordinary share/ paid-up capital	Percentage of equity attributable to the Company 2019	2018	Principal activities
Indirectly held: (continued)					
廣東錦恒置業有限公司 ("Kam Hang")*	PRC/ Mainland China	RMB93,994,000 (2018: RMB78,043,000) (Note (i))	100	100	Property development
Great Market Global Viet Nam Co., Ltd. ("GMG Viet Nam")*	Vietnam	US$5,440,000 (Note (j))	100	100	Manufacture and trading of garment products

Notes:

(a) The non-voting deferred shares do not entitle the holders thereof to receive notice of or to attend or vote at any general meeting of KH Textile and KH Piece Works. The holders of the non-voting deferred shares are not entitled to any dividends of KH Textile and KH Piece Works. On a winding-up, the holders of the non-voting deferred shares are entitled, out of the surplus assets of KH Textile and KH Piece Works, to a return of the capital paid up on the non-voting deferred shares held by them to one half of the balance after a total sum of HK$100,000,000,000,000 has been distributed in such winding-up in respect of the ordinary shares of KH Textile and KH Piece Works.

(b) En Ping KH is registered as a wholly-foreign-owned enterprise under the PRC law with an operating period of 20 years commencing from 27 April 2005. The registered capital of En Ping KH amounted to US$95,000,000 (2018: US$85,000,000), of which US$75,878,000 (2018: US$75,878,000) was paid up as at 31 December 2019. The remaining unpaid capital contribution of US$19,122,000 (2018: US$9,122,000) (equivalent to approximately HK$149,152,000 (2018: HK$71,152,000)) was included in commitments at 31 December 2019 as disclosed in note 31 to the financial statements.

(c) En Ping KL was registered as a wholly-foreign-owned enterprise under the PRC law with an operating period of 20 years commencing from 8 June 2007. During the year, En Ping KL was deregistered.

(d) Kam Sing is registered as a wholly-foreign-owned enterprise under the PRC law with an operating period of 20 years commencing from 2 January 2004. During the year, the registered capital of Kam Sing increased from HK$56,000,000 to HK$117,620,000, which was fully paid up as at 31 December 2019.

(e) Guangzhou KH is registered as a wholly-foreign-owned enterprise under the PRC law with an operating period of 25 years commencing from 26 March 1992 and extended to 16 March 2027. The registered capital of Guangzhou KH amounted to US$192,610,000, of which US$166,371,000 (2018: US$166,371,000) was paid up as at 31 December 2019. The remaining unpaid capital contribution of US$26,239,000 (2018: US$26,239,000) (equivalent to approximately HK$204,664,000 (2018: HK$204,664,000)) was included in commitments at 31 December 2019 as disclosed in note 31 to the financial statements.

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

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

Notes: (continued)

(f) KH China is registered as a wholly-foreign-owned enterprise under the PRC law with an operating period of 20 years commencing from 9 October 2013. The registered capital of KH China amounted to US$22,000,000, of which US$16,100,000 (2018: US$16,100,000) was paid up as at 31 December 2019. The remaining unpaid capital contribution of US$5,900,000 (2018: US$5,900,000) (equivalent to approximately HK$46,020,000 (2018: HK$46,020,000)) was included in commitments at 31 December 2019 as disclosed in note 31 to the financial statements.

(g) Jade Sun is principally engaged in the manufacture and trading of garment products. The registered capital of Jade Sun increased from US$1,200,000 to US$3,000,000, which was fully paid up as at 31 December 2019.

(h) During the year ended 31 December 2018, the Group established JH Garment in the Kingdom of Cambodia. JH Garment is principally engaged in the manufacture and trading of garment products. The registered capital of JH Garment amounted to US$1,500,000, which was fully paid up as at 31 December 2019. No amount was paid up as at 31 December 2018 and the unpaid capital contribution of US$1,500,000 (equivalent to approximately HK$11,700,000) was included in commitments as disclosed in note 31 to the financial statements.

(i) During the year ended 31 December 2018, the Group established Kam Hang in Mainland China. Kam Hang is principally engaged in property development. Kam Hang is registered as a wholly-foreign-owned enterprise under the PRC law with an operating period of 20 years commencing from 24 January 2018. The registered capital of Kam Hang amounted to RMB100,000,000, of which RMB93,994,000 (2018: RMB78,043,000) was paid up as at 31 December 2019. The remaining unpaid capital contribution of RMB6,006,000 (2018: RMB21,957,000) (equivalent to approximately HK$6,825,000 (2018: HK$24,951,000)) was included in commitments at 31 December 2019 as disclosed in note 31 to the financial statements.

(j) During the year ended 31 December 2018, the Group established GMG Viet Nam in Vietnam. GMG Viet Nam is principally engaged in the manufacture and trading of garment products. During the year, the registered capital of GMG Viet Nam decreased from US$33,000,000 to US$5,440,000, which was fully paid up as at 31 December 2019. US$5,440,000 was paid up as at 31 December 2018 and the remaining unpaid capital contribution of US$27,560,000 (equivalent to approximately HK$214,968,000) was included in commitments as disclosed in note 31 to the financial statements.

(k) During the years ended 31 December 2018 and 2019, the Group deregistered certain dormant subsidiaries. HK$4,010,000 (2018: HK$356,000) of exchange fluctuation reserve and HK$234,000 (2018: Nil) of statutory surplus reserve were released from the deregistration of the subsidiaries and the resulting loss on deregistration of subsidiaries of HK$3,776,000 (2018: HK$356,000) was recognised in the consolidated statement of profit or loss during the year.

* The statutory financial statements of these subsidiaries are not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

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

39. EVENTS AFTER THE REPORTING PERIOD

The novel coronavirus outbreak in early 2020 casted certain degree of uncertainties on the global economy. The overall operations of the textile and garment industry were inevitably affected by the quarantine measures and emergency health policies imposed by the PRC government. Given the rapid development of the novel coronavirus outbreak, the directors consider it is impractical to estimate the financial impact to the Group. The management of the Group will remain vigilant to the development of novel coronavirus outbreak and maintain close communication with different stakeholders of the Group.

40. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, the Group adopted HKFRS 16 on 1 January 2019 using the modified retrospective approach. Under this approach, the comparative amounts in the financial statements were not restated and continued to be reported under the requirements of the previous standard, HKAS 17, and related interpretations.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2020.

FIVE-YEAR FINANCIAL SUMMARY

31 December 2019

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

RESULTS

	Year ended 31 December				
	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
REVENUE	**4,350,664**	4,650,958	4,192,896	3,662,622	4,152,733
Profit before tax	**72,189**	87,098	86,161	84,122	85,625
Income tax expense	**(11,941)**	(16,804)	(23,247)	(10,520)	(24,510)
Profit for the year	**60,248**	70,294	62,914	73,602	61,115
Attributable to:					
Ordinary equity holders of the Company	**60,091**	72,826	64,575	74,995	58,256
Non-controlling interests	**157**	(2,532)	(1,661)	(1,393)	2,859
	60,248	70,294	62,914	73,602	61,115

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
TOTAL ASSETS	**4,827,214**	4,968,597	4,736,341	4,387,165	4,704,382
TOTAL LIABILITIES	**(2,837,406)**	(3,029,741)	(2,684,451)	(2,568,095)	(2,679,678)
NON-CONTROLLING INTERESTS	**955**	2,627	(1,732)	984	(33,214)
	1,990,763	1,941,483	2,050,158	1,820,054	1,991,490