



**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

**2024**

Interim Report

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## CORPORATE INFORMATION

### Board of Directors

#### *Executive Directors*

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

#### *Independent Non-Executive Directors*

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

### Audit Committee

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

### Remuneration Committee

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

### Nomination Committee

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

### Company Secretary

Mr. Chang Man Kwong

### Auditors

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

### Company Website

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

### Registered Office

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

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

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

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

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

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

Tricor Investor Services Limited  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

### Stock Code

The Stock Exchange of  
Hong Kong Limited: 02307



## MANAGEMENT DISCUSSION AND ANALYSIS

The board (the “Board”) of directors (the “Directors”) of Kam Hing International Holdings Limited (the “Company”) hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2024 (the “Period”). The interim financial information is not audited but has been reviewed by the audit committee of the Company (the “Audit Committee”).

### Market Review

In the first half of 2024, the textile and garment industry faced persistent challenges due to high interest rates, geopolitical tensions, and inflationary pressures. Despite the United States (“U.S.”) retailers have completed destocking initiatives in late 2023, which has led to notable import growth of 4.2% in the first half of 2024, logistics disruptions from conflicts in the Red Sea strained timely shipments. Strong demand for container transport was met with supply issues such as missed sailings, longer routes, equipment shortages, and port congestion in Asia, contributing to sector uncertainty.

In the U.S., inflation decreased to 3% in June 2024 from 3.3% over the previous year but remained above the Federal Reserve’s 2% target. High inflation and a 7% mortgage rate dampened consumer sentiment and increased living costs. Credit card debt hit a record of US\$1.14 trillion, with delinquencies rising to 9.1%, driven mainly by economic depression.

China experienced a slower-than-expected market recovery and high interest rates, weakening consumer sentiment and domestic demand. This shift led to reduced purchases and a trend toward consumption downgrade, creating a challenging landscape for textile and garment manufacturers.

## Business Overview

In the first half of 2024, the Group's textile and garment business mirrored the industry's challenges. Despite this, overall revenue saw a year-on-year ("yoy") increase of approximately 5.2% to HK\$1,810.9 million, with gross profit increased by approximately 28.6% yoy to approximately HK\$197.9 million. The Group achieved a profit attributable to ordinary equity holders of HK\$3.8 million, showing a significant improvement from the net loss attributable to ordinary equity holders of HK\$24.7 million in the same period of 2023. The basic earnings per share for the Period was approximately HK0.4 cents, compared to a basic loss per share of HK2.8 cents for the six months ended 30 June 2023.

For the Period, revenue generated from textile business and garment business accounted for approximately 81.6% and 18.4% of the overall revenue respectively. The textile business was mostly supported by the Group's two production sites in Enping and Nansha in China and a manufacturing partner in Vietnam, while the factories in Cambodia mainly manufactured garment products.

During the first quarter of 2024, the Group saw an initial uptick in demand for stock replenishment from customers following last year's retail destocking, though the pace of orders stagnated in the second quarter. Despite this, increased order volume improved the Group's production utilization and margins. The resumption of brand customer demand allowed the Group to upgrade its product mix, with higher-margin orders accounting for a greater proportion, thereby improving profitability. However, intense competition on the supply side and weak global demand kept product prices under pressure.

Throughout the first half of 2024, the Red Sea crisis exacerbated the challenging global environment, causing logistical disruptions periodically. In June, container ship transits dropped by 67%, leading to delays that impacted the Group's order delivery. Additionally, brands tended to delay their order placings because of the uncertainties in the market, resulting in an elevated inventory level, which stood at 995.2 million as of 30 June 2024, a 12.0% increase from the previous year. The repayment of a HK\$1,300 million bank loan last year significantly reduced the Group's borrowings and finance costs, contributing to a profit turnaround despite ongoing challenges.

## Business Overview (continued)

Continuing its commitment to a multi-location manufacturing strategy, the Group strengthened its offshore production network in Southeast Asia during the first half of 2024. References are made to the announcements of the Company dated 8 January 2024 and 28 June 2024 in relation to the cooperation agreements on textile and fabric manufacturing entered into by the Group. Following its partnership with CÔNG TY TNHH THIÊN PHÚC THÀNH, a specialised dyeing facility in Vietnam, the Group further expanded its production capacity by signing a framework cooperation agreement with The HOA Textile And Garment Company Limited, a synthetic fabric manufacturing company in Vietnam, in June 2024 as disclosed in the aforesaid announcements. With growing manufacturing capacity in Vietnam, the Group's "China + Vietnam + Cambodia" production model is well-received by customers, offering a seamless, multi-location manufacturing solution that aligns with the growing supply chain diversification needs. These strategic developments enhance the competitiveness of the Group, so as to respond more swiftly to market fluctuations and regional economic conditions. By leveraging our extensive network and resources, the Group is committed to providing high quality products and services so as to meet the changing needs of customers.

The Group holds hope for the future and explores more opportunities as we continue to strengthen our position in the textile and garment industry. The continued investment in capacity expansion and technological advancement will enable the Group to better serve our customers and contribute to their success.

## Prospects

The Group maintains a cautiously optimistic outlook for the latter half of 2024 amidst a complex global economic landscape. Despite ongoing challenges such as geopolitical tensions, inflationary pressures, and periodic disruptions from the Red Sea crisis, there are encouraging signs of economic improvement. Notably, the U.S. inflation rate has shown a gradual decline, reaching 3% in July 2024, which reflects a significant improvement from its peak of 9.1% in June 2022, signaling progress towards the Federal Reserve's 2% target. The anticipated interest rate reduction in the latter half of 2024 is also expected to contribute to a decrease in overall living costs and a rebound of consumer sentiment. Coupled with the World Bank's upward revision of its global economic growth forecast from 2.4% to 2.6%, all these underscore growing confidence in the world's economic resilience.

## Prospects (continued)

As the Group enters the third quarter, it is experiencing an increase in its order book, primarily driven by retailers' preparations for the next spring/summer season. With its "China + Vietnam + Cambodia" production triangle and its integrated textile and garment solutions, the Group is in an advantageous position to garner greater market share and secure higher-value bulk orders from brand customers. The integrations with the manufacturing partners in Vietnam are in good progress and the Group is committed to implementing their best practices in production, quality assurance systems, and training initiatives across these facilities. This ensures that product quality aligns with the Groups' international standards. Therefore, the approach aims to create in Vietnam a successful replicate of the Group's integrated manufacturing base in China, thereby reinforcing its multi-location manufacturing solutions.

Aligning with the Group's light-asset approach in its expansion in Vietnam, the Group entered into an agreement to sell the entire equity interests in a subsidiary which holds the property interest of a land in Vietnam for a cash consideration of USD10,276,000 (equivalent to approximately HK\$80,152,800). The Group is expected to record a gain on disposal of approximately HK\$31,732,500 in the second half of the year.

In conclusion, the Group remains dedicated to navigating the dynamic business environment with a resilient business model and improved production capabilities. The Company sees potential emerging from market consolidation, which may squeeze out underperforming competitors during economic instability. The Group is well-positioned to seize future market opportunities. By offering comprehensive, one-stop integrated solutions for customers, the Group is set to drive sustainable development in the coming years.

## Financial Review

### *Revenue*

Overall sales turnover during the Period was approximately HK\$1,810.9 million, representing an increase of approximately 5.2% (six months ended 30 June 2023: approximately HK\$1,721.4 million). The increase was mainly attributable to the increase in sales volume. After two years of destocking in the entire industry, brands are gradually replenishing inventory recently. Therefore, there is an increase in demand for garments and fabrics and the number of orders increased compared to the same period last year.

## Financial Review (continued)

### *Gross Profit and Gross Profit Margin*

Gross profit during the Period was approximately HK\$197.9 million, representing an increase of approximately 28.6% (six months ended 30 June 2023: approximately HK\$153.9 million). Gross profit margin increased to approximately 10.9% (six months ended 30 June 2023: approximately 8.9%). This was mainly attributable to good margin orders accounting for a high proportion of all the orders compared to the same period last year.

### *Other Income and Gains, Net*

Other income and gains, net during the Period of approximately HK\$33.3 million (six months ended 30 June 2023: approximately HK\$40.7 million) mainly comprised income received from provision of sewage treatment of approximately HK\$12.1 million (six months ended 30 June 2023: approximately HK\$10.4 million), fee income from freight handling services of approximately HK\$3.8 million (six months ended 30 June 2023: approximately HK\$2.9 million), subsidy income of approximately HK\$0.1 million (six months ended 30 June 2023: approximately HK\$9.6 million), bank interest income of approximately HK\$4.3 million (six months ended 30 June 2023: approximately HK\$14.8 million). The remaining balance mainly derived from sales of scrap.

### *Selling and Distribution Expenses*

Selling and distribution expenses during the Period increased to approximately HK\$52.6 million (six months ended 30 June 2023: approximately HK\$46.7 million). The increase in expenses is in line with increase in sales.

### *Administrative Expenses*

Administrative expenses, including salaries, depreciation, customs declaration and other related expenses, decreased to approximately HK\$138.6 million during the Period (six month ended 30 June 2023: approximately HK\$157.3 million). At the end of last year, there was an organisational restructuring, resulting in a decrease in the overall number of employees. In the first half of this year, salaries dropped compared to the same period last year. In response to the current economic environment, the Group continues to optimize its internal structure to enhance efficiency and reduce costs.



## Financial Review (continued)

### *Other Operating Income/Expenses, Net*

During the Period, other operating expenses, net was approximately HK\$8.7 million (six months ended 30 June 2023: other operating income, net, approximately HK\$38.7 million), mainly comprising operating expenses on sewage treatment of approximately HK\$11.0 million (six months ended 30 June 2023: approximately HK\$10.9 million) and foreign exchange gain of approximately HK\$2.6 million (six months ended 30 June 2023: approximately HK\$48.5 million).

### *Finance Costs*

Finance costs for the Period were approximately HK\$31.8 million (six months ended 30 June 2023: approximately HK\$45.9 million), comprising interest on bank loans of approximately HK\$21.4 million (six months ended 30 June 2023: approximately HK\$37.5 million), amortization of bank charges on syndicated loans of approximately HK\$1.0 million (six months ended 30 June 2023: approximately HK\$2.8 million), interest on trade loan and discounted bills of approximately HK\$8.9 million (six months ended 30 June 2023: approximately HK\$5.2 million) and interest on lease liabilities of approximately HK\$0.4 million (six months ended 30 June 2023: approximately HK\$0.4 million). The decrease in finance costs was mainly due to decrease in total bank borrowings compared to the same period last year.

### *Net Profit/Loss*

Net profit attributable to ordinary equity holders of the Company for the Period was approximately HK\$3.8 million (net loss attributable to ordinary equity holders of the Company for the six months ended 30 June 2023 was approximately HK\$24.7 million). The turnaround to profit is primarily attributable to the increase in sales, the improved gross profit margin and the decrease in finance costs as mentioned above.

## Financial Review (continued)

### *Liquidity and Financial Resources*

As at 30 June 2024, the Group's net current assets were approximately HK\$806.9 million (31 December 2023: approximately HK\$764.4 million). The Group regularly reviews its financial position and maintains a healthy financial position by financing its operations from internally generated resources and long-term bank loans. As at 30 June 2024, the Group had cash and cash equivalents of approximately HK\$419.0 million (31 December 2023: approximately HK\$916.1 million). Current ratio as at 30 June 2024 was approximately 1.6 times (31 December 2023: approximately 1.4 times).

As at 30 June 2024, total bank borrowings of the Group were approximately HK\$922.8 million (31 December 2023: approximately HK\$1,261.5 million). The Group's net debt gearing ratio (i.e. net debts divided by the sum of equity and net debts) as at 30 June 2024 was approximately 43.2% (31 December 2023: approximately 42.3%). Net debts comprise all interest-bearing bank borrowings, accounts and bills payables, accrued liabilities and other payables, an amount due to an associate, bank advance for discounted bills and lease liabilities less cash and cash equivalents. Equity comprises owners' equity as stated in the consolidated financial statements.

### *Financing*

As at 30 June 2024, the Group's long-term loans were approximately HK\$353.6 million (31 December 2023: approximately HK\$377.8 million), comprising term loans from banks.

### *Interim Dividend*

The Board has resolved not to recommend the payment of an interim dividend for the Period (six months ended 30 June 2023: Nil).

## Financial Review (continued)

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

Approximately 83.1% (six months ended 30 June 2023: approximately 78.8%) of the Group's sales was denominated in U.S. dollars. The remaining sales were denominated in Hong Kong dollars and Renminbi. The majority of the Group's costs of sales were denominated in U.S. dollars, Hong Kong dollars and Renminbi. The Group is therefore exposed to foreign exchange risks arising from currency exposures, primarily in respect to the Renminbi. The exchange rates of other currencies were relatively stable throughout the Period and immaterial on our cost structure. The management closely monitors the foreign exchange movements and determines the appropriate hedging activities when necessary. The Group's borrowings were mainly maintained at a floating rate basis. The management will pay attention to the interest rate movement and employ necessary hedging instruments in a prudent and professional manner.

### *Charge of Group's Assets*

As at 30 June 2024, none of the Group's land and buildings were pledged (31 December 2023: Nil).

### *Capital Expenditure*

For the Period, the Group invested approximately HK\$46.3 million (six months ended 30 June 2023: approximately HK\$38.8 million) in capital expenditure of which approximately 74.4% (six months ended 30 June 2023: approximately 98.2%) was used for the purchase of plant and machinery and the remaining was used for the construction of factory premises and purchase of other equipments.

As at 30 June 2024, the Group had capital commitments of approximately HK\$22.9 million (31 December 2023: approximately HK\$22.0 million) in property, plant and equipment and right-of-use assets and nil (31 December 2023: approximately HK\$176.2 million) in construction of new manufacturing facilities. All are funded or will be funded by internal resources.

### *Contingent Liabilities*

As at 30 June 2024, the Group did not have any significant contingent liabilities (31 December 2023: Nil).

## Financial Review (continued)

### *Significant Investment*

As at 30 June 2024, the Group did not hold any significant investment with a value of 5% or more of the Group's total assets.

### *Material Acquisition and Disposal*

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

### *Event After the Reporting Period*

On 18 July 2024, the Group entered into an agreement to sell the entire equity interests in Great Market Global Viet Nam Company Limited\* (the "Target Company"), a subsidiary which holds the property interests of a land in Vietnam, for a cash consideration of USD10,276,000 (equivalent to approximately HK\$80,152,800). Upon completion of the disposal, the Target Company will cease to be a subsidiary of the Company. Details of the disposal are set out in the announcement of the Company dated 18 July 2024 and the circular of the Company dated 22 August 2024.

On 9 September 2024, the Group entered into a lease agreement as lessee in respect of a 10-year lease of a factory building in Vietnam to be used as its fabric knitting factory to further enhance its production capacity. Details of the lease are set out in the announcement of the Company dated 9 September 2024.

### *Treasury Policy*

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

\* The English name is provided for identification purpose only



## Financial Review (continued)

### *Equity Fund Raising Exercise*

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

### *Staff Policy*

The Group had 3,786 (31 December 2023: 3,806) employees in the PRC, 3,431 employees in Cambodia (31 December 2023: 2,734) and 112 employees in Hong Kong, Macau, Singapore and other territories (31 December 2023: 116) as at 30 June 2024. Remuneration packages are generally structured by reference to market terms and individual qualification. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Discretionary bonuses are offered to the Group's staff depending on their performance and the results of the Group.

The Group operates a defined contribution retirement benefit scheme under the Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong) as well as medical insurance for all its employees in Hong Kong. The Group also participates in various defined contribution plans and insurance schemes in compliance with its statutory obligations under the relevant laws and regulations of applicable jurisdictions. Also, the Group is obliged to provide its employees in the PRC with welfare schemes covering various insurance and social benefits. Staff benefits are also provided to the staff working in other countries according to the respective countries' statutory requirements.

## OTHER INFORMATION

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

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

Mr. Ho Gilbert Chi Hang, an independent non-executive Director, (i) has been appointed as the vice chairman of the China Committee of the Hong Kong General Chamber of Commerce with effect from 13 June 2024; (ii) has been appointed as Co-Chief Executive Officer of Chow Tai Fook Enterprises Limited with effect from 1 September 2024; and (iii) has resigned as the non-executive director of Wai Kee Holdings Limited (stock code: 0610) with effect from 26 June 2024.

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

As at 30 June 2024, the interests and short positions of the directors or the chief executive of the Company in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 of the Listing Rules, were as follows:

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

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

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

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 30 June 2024, none of the directors nor the chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## Share Option Scheme

The Company adopted a share option scheme (the "Scheme") on 9 June 2014 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Scheme has expired on 8 June 2024. No share option had been granted by the Company under the Scheme since its date of adoption and no share option may be granted under the Scheme upon its expiry. There was no outstanding share option as at both 1 January 2024 and 30 June 2024. The number of options available for grant under the Scheme mandate as at 1 January 2024 and 30 June 2024 is 86,991,900 and Nil, respectively.

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

So far as is known to the directors and the chief executive of the Company, as at 30 June 2024, 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 in ordinary shares and underlying shares of the Company:

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

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

Save as disclosed above, as at 30 June 2024, 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 recorded in the register required to be kept under section 336 of the SFO.

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

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities (including the sale of treasury shares) during the Period. As at 30 June 2024, there were no treasury shares (as defined under the Listing Rules) held by the Company.



## Corporate Governance

The Company is committed to maintaining good corporate governance practices. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth and enhancing shareholders value. The Company has applied the principles and met the relevant code provisions set out in the Corporate Governance Code in Part 2 of Appendix C1 of the Listing Rules throughout the Period.

### Audit Committee

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

### Model Code For Securities Transactions By Directors (“Model Code”)

The Company has adopted the Model Code as set out in Appendix C3 of the Listing Rules as the code of conduct for securities transactions by Directors. Having made specific enquiry of all Directors, the Directors confirmed that they have complied with the required standard set out in the Model Code for the Period.

### Approval of the Unaudited Interim Financial Statements

The unaudited interim financial statements were approved and authorised for issue by the Board on 28 August 2024.

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

	Notes	Six months ended 30 June 2024 HK\$'000 (Unaudited)	Six months ended 30 June 2023 HK\$'000 (Unaudited)
<b>REVENUE</b>	2, 3	<b>1,810,902</b>	1,721,370
Cost of sales		<b>(1,613,029)</b>	(1,567,512)
Gross profit		<b>197,873</b>	153,858
Other income and gains, net	3	<b>33,274</b>	40,727
Selling and distribution expenses		<b>(52,551)</b>	(46,747)
Write-back of impairment losses/ (impairment losses) on financial assets, net		<b>4,727</b>	3,109
Administrative expenses		<b>(138,618)</b>	(157,321)
Other operating income, net		<b>(8,735)</b>	38,712
Finance costs		<b>(31,766)</b>	(45,946)
<b>PROFIT/(LOSS) BEFORE TAX</b>	4	<b>4,204</b>	(13,608)
Income tax expense	5	<b>(234)</b>	(11,629)
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<b>3,970</b>	(25,237)
Attributable to:			
Ordinary equity holders of the Company		<b>3,815</b>	(24,726)
Non-controlling interests		<b>155</b>	(511)
		<b>3,970</b>	(25,237)
Interim dividend	6	<b>Nil</b>	Nil
<b>EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			
Basic	7	<b>HK0.4 cents</b>	HK(2.8) cents
Diluted	7	<b>HK0.4 cents</b>	HK(2.8) cents

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Six months ended 30 June 2024 HK\$'000 (Unaudited)	Six months ended 30 June 2023 HK\$'000 (Unaudited)
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	<b>3,970</b>	(25,237)
<b>OTHER COMPREHENSIVE EXPENSES</b>		
Other comprehensive expenses may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	–	(131,974)
<b>TOTAL COMPREHENSIVE INCOME/ (EXPENSES) FOR THE PERIOD</b>	<b>3,970</b>	(157,211)
Attributable to:		
Ordinary equity holders of the Company	<b>3,815</b>	(156,700)
Non-controlling interests	<b>155</b>	(511)
	<b>3,970</b>	(157,211)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	Notes	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	939,975	1,000,920
Right-of-use assets		191,413	195,341
Interests in associates		1,412	1,480
Prepayments		3,829	4,282
Long-term receivables		38,953	38,348
Deposits paid		2,153	2,376
Deferred tax assets		39,269	39,478
Total non-current assets		1,217,004	1,282,225
<b>CURRENT ASSETS</b>			
Properties under development		53,674	53,674
Inventories		995,206	888,436
Accounts and bills receivables	9	506,489	493,070
Prepayments, deposits and other receivables		91,588	95,783
Financial asset at fair value through profit or loss		231	224
Tax recoverable		4,950	5,047
Pledged deposits		45,662	45,539
Cash and cash equivalents		418,955	916,088
Total current assets		2,116,755	2,497,861



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(continued)

As at 30 June 2024

	Note	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
<b>CURRENT LIABILITIES</b>			
Accounts and bills payables	10	598,434	678,829
Accrued liabilities and other payables		135,570	163,790
Due to an associate		947	947
Tax payable		560	847
Lease liabilities		5,238	5,283
Interest-bearing bank borrowings		569,144	883,770
Total current liabilities		1,309,893	1,733,466
<b>NET CURRENT ASSETS</b>		806,862	764,395
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		2,023,866	2,046,620
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings		353,635	377,766
Lease liabilities		11,926	14,347
Deferred tax liabilities		3,884	4,056
Total non-current liabilities		369,445	396,169
Net assets		1,654,421	1,650,451
<b>EQUITY</b>			
<b>Equity attributable to ordinary equity holders of the Company</b>			
Issued capital		86,992	86,992
Reserves		1,567,351	1,563,536
		1,654,343	1,650,528
<b>Non-controlling interests</b>		78	(77)
Total equity		1,654,421	1,650,451

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Attributable to ordinary equity holders of the Company							Non-controlling interests	Total equity
	Issued capital	Share premium account	Capital reserve	Statutory surplus reserve	Other reserve	Exchange fluctuation reserve	Retained profits		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>At 1 January 2023</b>	86,992	446,105	104,804	79,337	(11,979)	24,061	1,183,879	1,913,199	1,917,649
Loss for the period	-	-	-	-	-	-	(24,726)	(24,726)	(25,237)
Other comprehensive expense for the period:									
Exchange differences on translation of foreign operations	-	-	-	-	-	(131,974)	-	(131,974)	(131,974)
Total comprehensive expenses for the period	-	-	-	-	-	(131,974)	(24,726)	(156,700)	(157,211)
Transfer to reserve	-	-	-	-	-	-	46	46	46
<b>At 30 June 2023</b>	86,992	446,105	104,804	79,337	(11,979)	(107,913)	1,159,200	1,756,545	1,760,484
<b>At 1 January 2024</b>	<b>86,992</b>	<b>446,105</b>	<b>104,804</b>	<b>74,331</b>	<b>(11,979)</b>	<b>(100,741)</b>	<b>1,051,016</b>	<b>1,650,528</b>	<b>(77) 1,650,451</b>
Profit for the period and total comprehensive income for the period	-	-	-	-	-	-	<b>3,815</b>	<b>3,815</b>	<b>155 3,970</b>
<b>At 30 June 2024</b>	<b>86,992</b>	<b>446,105</b>	<b>104,804</b>	<b>74,331</b>	<b>(11,979)</b>	<b>(100,741)</b>	<b>1,054,831</b>	<b>1,654,343</b>	<b>78 1,654,421</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Six months ended 30 June 2024 HK\$'000 (Unaudited)	Six months ended 30 June 2023 HK\$'000 (Unaudited)
<b>NET CASH FLOW (USED IN)/FROM OPERATING ACTIVITIES</b>	<b>(107,490)</b>	62,142
Purchases of items of property, plant and equipment	<b>(46,319)</b>	(36,634)
Increase in pledged deposits	<b>(123)</b>	(117,994)
Other cash flow (used in)/from investing activities	<b>(324)</b>	(10,948)
<b>NET CASH FLOW USED IN INVESTING ACTIVITIES</b>	<b>(46,766)</b>	(165,576)
Drawdown of bank loans	<b>948,131</b>	966,046
Repayment of bank loans	<b>(1,287,851)</b>	(594,291)
Principal portion of lease payments	<b>(3,157)</b>	(3,102)
Other cash flow from financing activities	<b>–</b>	–
<b>NET CASH FLOW (USED IN)/FROM FINANCING ACTIVITIES</b>	<b>(342,877)</b>	368,653
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(497,133)</b>	265,219
Cash and cash equivalents at beginning of period	<b>916,088</b>	1,074,555
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET</b>	<b>–</b>	(12,610)
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>418,955</b>	1,327,164
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>418,955</b>	1,327,164

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1.1 BASIS OF PRESENTATION

The interim condensed consolidated financial statements for the six months ended 30 June 2024 have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and with the disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”). These condensed consolidated financial statements are unaudited but have been reviewed by the Company’s audit committee.

### 1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the Period’s financial information.

Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

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



## 2. OPERATING SEGMENT INFORMATION

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

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

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

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

## 2. OPERATING SEGMENT INFORMATION (continued)

	Fabric HK\$'000	Garment HK\$'000	Others HK\$'000	Total HK\$'000
<b>Six months ended 30 June 2024 (Unaudited)</b>				
Segment revenue:				
Revenue from external customers	1,477,142	333,760	–	1,810,902
Intersegment sales	61,229	–	–	61,229
	1,538,371	333,760	–	1,872,131
Elimination of intersegment sales				(61,229)
				1,810,902
Segment profit	30,858	212	197	31,267
Bank interest income	4,202	128	18	4,348
Finance costs (other than interest on lease liabilities)	(31,328)	(15)	–	(31,343)
Share of loss of an associate	–	(68)	–	(68)
<b>Profit before tax</b>	<b>3,732</b>	<b>257</b>	<b>215</b>	<b>4,204</b>
Income tax (expense)/credit	(67)	(288)	121	(234)
<b>Profit/(loss) for the period</b>	<b>3,665</b>	<b>(31)</b>	<b>336</b>	<b>3,970</b>
<b>As at 30 June 2024 (Unaudited)</b>				
<b>Assets and liabilities</b>				
Segment assets	2,662,758	545,377	84,943	3,293,078
Interest in associates	–	1,412	–	1,412
Deferred tax assets	19,792	–	19,477	39,269
Total assets	2,682,550	546,789	104,420	3,333,759
Segment liabilities	(1,591,903)	(80,050)	(3,501)	(1,675,454)
Deferred tax liabilities	(3,884)	–	–	(3,884)
Total liabilities	(1,595,787)	(80,050)	(3,501)	(1,679,338)
<b>Other segment information:</b>				
<b>Six months ended 30 June 2024 (Unaudited)</b>				
Depreciation of property, plant and equipment	103,867	6,802	360	111,029
Depreciation of right-of-use assets	2,278	–	–	2,278
Capital expenditure	27,654	15,292	3,373	46,319

## 2. OPERATING SEGMENT INFORMATION (continued)

	Fabric HK\$'000	Garment HK\$'000	Others HK\$'000	Total HK\$'000
<b>Six months ended 30 June 2023</b>				
<b>(Unaudited)</b>				
Segment revenue:				
Revenue from external customers	1,452,181	269,189	–	1,721,370
Intersegment sales	59,267	298	–	59,565
	1,511,448	269,487	–	1,780,935
Elimination of intersegment sales				(59,565)
				1,721,370
Segment profit/(loss)	9,851	8,930	(781)	18,000
Bank interest income	14,505	299	20	14,824
Finance costs (other than interest on lease liabilities)	(45,545)	–	–	(45,545)
Share of loss of an associate	–	(887)	–	(887)
<b>Profit/(loss) before tax</b>	(21,189)	8,342	(761)	(13,608)
Income tax (expense)/credit	(11,672)	(2)	45	(11,629)
<b>Profit/(loss) for the period</b>	(32,861)	8,340	(716)	(25,237)
<b>As at 31 December 2023 (Audited)</b>				
<b>Assets and liabilities</b>				
Segment assets	3,109,875	542,994	86,259	3,739,128
Interest in associates	–	1,480	–	1,480
Deferred tax assets	20,001	–	19,477	39,478
Total assets	3,129,876	544,474	105,736	3,780,086
Segment liabilities	(2,026,814)	(95,478)	(3,287)	(2,125,579)
Deferred tax liabilities	(4,056)	–	–	(4,056)
Total liabilities	(2,030,870)	(95,478)	(3,287)	(2,129,635)
<b>Other segment information:</b>				
<b>Six months ended 30 June 2023</b>				
<b>(Unaudited)</b>				
Depreciation of property, plant and equipment	149,516	3,052	2,035	154,603
Depreciation of right-of-use assets	4,610	1,564	299	6,473
Capital expenditure	36,840	1,224	779	38,843

## 2. OPERATING SEGMENT INFORMATION (continued)

### Geographical information

#### (a) Revenue from external customers

	<b>Six months ended 30 June 2024 HK\$'000 (Unaudited)</b>	Six months ended 30 June 2023 HK\$'000 (Unaudited)
Korea	<b>795,036</b>	677,760
Chinese Mainland	<b>281,639</b>	310,009
Hong Kong	<b>141,684</b>	119,638
Singapore	<b>137,956</b>	89,610
Taiwan	<b>80,562</b>	103,689
United States	<b>67,125</b>	51,174
Vietnam	<b>62,666</b>	36,843
Others	<b>244,234</b>	332,647
	<b>1,810,902</b>	1,721,370

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

#### (b) Non-current assets

	<b>30 June 2024 HK\$'000 (Unaudited)</b>	31 December 2023 HK\$'000 (Audited)
Chinese Mainland	<b>937,629</b>	970,858
Cambodia	<b>143,491</b>	141,776
Hong Kong	<b>15,570</b>	47,567
Singapore	<b>435</b>	118
Others	<b>41,657</b>	44,080
	<b>1,138,782</b>	1,204,399

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

**2. OPERATING SEGMENT INFORMATION** (continued)

**Information about a major customer**

Revenue from customer amounted to over 10% of the Group's total revenue is as follows:

	<b>Six months ended 30 June 2024 HK\$'000 (Unaudited)</b>	Six months ended 30 June 2023 HK\$'000 (Unaudited)
Customer A	<b>319,916</b>	227,247

Revenue from major customer comes from the sale of knitted fabric and dyed yarn.

### 3. REVENUE, OTHER INCOME AND GAINS

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

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

	<b>Six months ended 30 June 2024 HK\$'000 (Unaudited)</b>	Six months ended 30 June 2023 HK\$'000 (Unaudited)
<b>Revenue from contracts with customers</b>		
Production and sale of knitted fabric and dyed yarn	<b>1,477,142</b>	1,452,181
Production and sale of garment products and provision of related subcontracting services	<b>333,760</b>	269,189
	<b>1,810,902</b>	1,721,370



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

#### Disaggregated revenue information

For the six month ended 30 June 2024

Segments	Fabric HK\$'000	Garment HK\$'000	Total HK\$'000
<b>Types of goods or services</b>			
Sale of goods	1,477,142	313,024	1,790,166
Subcontracting services	–	20,736	20,736
Total revenue from contracts with customers	1,477,142	333,760	1,810,902
<b>Geographical markets</b>			
Korea	795,036	–	795,036
Chinese Mainland	180,166	101,473	281,639
Hong Kong	125,716	15,968	141,684
Singapore	103,716	34,240	137,956
Taiwan	80,562	–	80,562
United States	31	67,094	67,125
Vietnam	62,666	–	62,666
Others	129,249	114,985	244,234
Total revenue from contracts with customers	1,477,142	333,760	1,810,902
<b>Timing of revenue recognition</b>			
At a point in time	1,477,142	333,760	1,810,902

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

#### Disaggregated revenue information (continued)

For the six month ended 30 June 2023

Segments	Fabric HK\$'000	Garment HK\$'000	Total HK\$'000
<b>Types of goods or services</b>			
Sale of goods	1,452,181	257,966	1,710,147
Subcontracting services	–	11,223	11,223
Total revenue from contracts with customers	1,452,181	269,189	1,721,370
<b>Geographical markets</b>			
Korea	677,760	–	677,760
Chinese Mainland	251,885	58,124	310,009
Hong Kong	112,793	6,845	119,638
Taiwan	103,689	–	103,689
Singapore	86,025	3,585	89,610
United States	13	51,161	51,174
Vietnam	36,843	–	36,843
Others	183,173	149,474	332,647
Total revenue from contracts with customers	1,452,181	269,189	1,721,370
<b>Timing of revenue recognition</b>			
At a point in time	1,452,181	269,189	1,721,370

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

	Six months ended 30 June 2024 HK\$'000 (Unaudited)	Six months ended 30 June 2023 HK\$'000 (Unaudited)
<b>Other income</b>		
Bank interest income	4,348	14,823
Subsidy income	48	9,616
Fee income from sewage treatment	12,061	10,353
Fee income from freight handling services	3,778	2,864
Others	13,033	3,392
	<b>33,268</b>	41,048
<b>Gains/(losses), net</b>		
Fair value gains/(losses):		
Financial assets at fair value through profit or loss – held for trading	6	(321)
Other income and gains	<b>33,274</b>	40,727

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

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

	<b>Six months ended 30 June 2024 HK\$'000 (Unaudited)</b>	Six months ended 30 June 2023 HK\$'000 (Unaudited)
Cost of inventories sold and services provided	<b>1,613,029</b>	1,567,512
Research and development costs	<b>26,011</b>	57,838
Depreciation of items of property, plant and equipment	<b>111,029</b>	154,603
Depreciation of right-of-use assets	<b>2,278</b>	6,473
Employee benefits expense (including directors' remuneration):		
Wages and salaries	<b>253,536</b>	246,224
Pension scheme contributions	<b>24,783</b>	24,788
	<b>278,319</b>	271,012
Loss on disposal of items of property, plant and equipment	<b>298</b>	395
Impairment/(write-back of impairment), net:		
Impairment/(write-back of impairment) of accounts receivables, net	<b>(4,727)</b>	(3,109)
Fair value losses:		
Financial assets at fair value through profit or loss – held for trading	<b>(6)</b>	321
Foreign exchange differences, net	<b>(2,620)</b>	(48,497)

## 5. INCOME TAX

	<b>Six months ended</b> <b>30 June 2024</b> <b>HK\$'000</b> <b>(Unaudited)</b>	Six months ended 30 June 2023 HK\$'000 (Unaudited)
Current tax – Hong Kong		
Charge for the period	<b>288</b>	2
Current tax – Elsewhere		
Charge for the period	<b>51</b>	291
(Over)/underprovision in prior years	<b>(142)</b>	11,524
Deferred tax expense/(credit)	<b>37</b>	(188)
Total tax charge for the period	<b>234</b>	11,629

Hong Kong profits tax has been provided on the estimated assessable profits arising in Hong Kong at the rate of 16.5% (six months ended 30 June 2023: 16.5%), except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (six months ended 30 June 2023: HK\$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% (six months ended 30 June 2023: 8.25%) and the remaining assessable profits are taxed at 16.5% (six months ended 30 June 2023: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

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

During the periods ended 30 June 2024 and 30 June 2023, certain subsidiaries of the Group were entitled to a preferential tax rate of 15% under the status of High New Technology Enterprises.

## 6. DIVIDEND

The Board has resolved not to declare any interim dividend for the Period (six months ended 30 June 2023: Nil).

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

The calculation of basic earnings per share amount for the Period is based on the profit for the Period attributable to ordinary equity holders of the Company of HK\$3,815,000 and 869,919,000 ordinary shares in issue during the Period.

The calculation of basic loss per share amount for the period ended 30 June 2023 was based on the loss for the period attributable to ordinary equity holders of the Company of HK\$24,726,000 and 869,919,000 ordinary shares in issue during the period ended 30 June 2023.

The Group had no potentially dilutive ordinary shares in issue for the periods ended 30 June 2024 and 30 June 2023.

## 8. PROPERTY, PLANT AND EQUIPMENT

The changes in the net book value of property, plant and equipment for the six months ended 30 June 2024 are analysed as follows:

	HK\$'000
At 1 January 2024 (Audited)	1,000,920
Additions	46,319
Depreciation	(111,029)
Disposals	(423)
Exchange Realignment	3,765
At 30 June 2024 (Unaudited)	939,975



## **8. PROPERTY, PLANT AND EQUIPMENT** (continued)

As at 30 June 2024, the Group was in the process of applying the building ownership certificates in respect of certain self-used properties with net book value of approximately HK\$2.1 million (31 December 2023: approximately HK\$2.3 million) and approximately HK\$21.6 million (31 December 2023: approximately HK\$27.0 million) situated in Nansha and Enping, the PRC, respectively. The Company's directors confirmed that the Group has properly obtained the land use right certificates in respect of the land on which the aforementioned self-used properties are located, and therefore there is no legal barrier or otherwise for the Group to obtain the building ownership certificates from the relevant Mainland China authority.

## **9. ACCOUNTS AND BILLS RECEIVABLE**

The Group's trading 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 receivable and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's accounts and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its accounts and bills receivables balances.

## 9. ACCOUNTS AND BILLS RECEIVABLE (continued)

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

	<b>30 June 2024 HK\$'000 (Unaudited)</b>	31 December 2023 HK\$'000 (Audited)
Within 1 month	<b>318,966</b>	302,287
1 to 2 months	<b>115,818</b>	117,450
2 to 3 months	<b>45,344</b>	39,159
Over 3 months	<b>26,361</b>	34,174
	<b>506,489</b>	493,070

## 10. ACCOUNTS AND BILLS PAYABLE

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

	<b>30 June 2024 HK\$'000 (Unaudited)</b>	31 December 2023 HK\$'000 (Audited)
Within 3 months	<b>505,913</b>	609,428
3 to 6 months	<b>88,932</b>	66,393
Over 6 months	<b>3,589</b>	3,008
	<b>598,434</b>	678,829

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

## 11. COMMITMENTS

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

### Capital commitments

	<b>30 June 2024 HK\$'000 (Unaudited)</b>	31 December 2023 HK\$'000 (Audited)
Contracted but not provided for:		
Purchases of machinery	<b>10,258</b>	6,934
Construction in progress	<b>12,162</b>	14,501
Construction of new manufacturing facilities	<b>176,207</b>	176,207
Construction of properties under development	<b>8,159</b>	8,159
	<b>206,786</b>	205,801

The Group had outstanding commitments amounting to HK\$124,925,000 (31 December 2023: HK\$214,268,000) as at the end of the reporting period in respect of irrevocable letters of credit.

## 12. RELATED PARTY TRANSACTIONS

- (a) The Group is still in the process of applying for the land use planning for construction work permit, construction project and planning permit, commencement of construction work permit in respect of a six-storey factory building, with a net book value of approximately HK\$0.2 million (31 December 2023: approximately HK\$0.3 million) as at 30 June 2024.

Each of Mr. Tai Chin Chun and Mr. Tai Chin Wen, directors of the Company, together with their respective spouses, who are deemed as the shareholders of the Company under the Securities and Futures Ordinance, have given joint and several indemnities in favour of the Group in respect of the aforementioned building.

## 12. RELATED PARTY TRANSACTIONS (continued)

- (b) Outstanding balances with a related party:

As at 30 June 2024, included in the Group's accounts receivables is an amount due from an associate of the Group of HK\$12,757,000 (31 December 2023: HK\$9,843,000), which was repayable on credit terms similar to those offered to the major customers of the Group.

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

	<b>Six months ended 30 June 2024 HK\$'000 (Unaudited)</b>	Six months ended 30 June 2023 HK\$'000 (Unaudited)
Short-term employee benefits	<b>10,588</b>	11,789
Post-employment benefits	<b>210</b>	259
	<b>10,798</b>	12,048

## 13. TRANSFERS OF FINANCIAL ASSETS

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

At 30 June 2024, the Group endorsed certain bank bills receivables in the PRC, (the "Endorsed Bills") with a carrying amount of RMB8,768,000 (equivalent to HK\$9,530,000) (31 December 2023: RMB2,601,000 (equivalent to HK\$2,827,000)) to certain suppliers in order to settle the accounts payables due to such suppliers (the "Endorsement"). In the opinion of the directors, the Group has retained the substantial risk and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated accounts payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of accounts payables settled by the Endorsed Bills during the Period to which the suppliers have recourse was RMB8,768,000 (equivalent to HK\$9,530,000) (31 December 2023: RMB2,601,000 (equivalent to HK\$2,827,000)) as at 30 June 2024.

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

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

At 30 June 2024, the Group endorsed certain bank bills receivables in the PRC (the "Derecognised Bills") which were originally endorsed by its customers, to certain of its suppliers for settling the accounts payables due to such suppliers in aggregate of RMB14,313,000 (equivalent to HK\$15,557,000) (31 December 2023: RMB25,087,000 (equivalent to HK\$27,268,000)). The Derecognised Bills have a remaining maturity from one to six months at the end of the Period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors of the Company, the Group has transferred substantially all risk and rewards related to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated accounts payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors of the Company, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the periods ended 30 June 2024 and 30 June 2023, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the periods or cumulatively. The Endorsement has been made evenly throughout the periods ended 30 June 2024 and 30 June 2023.