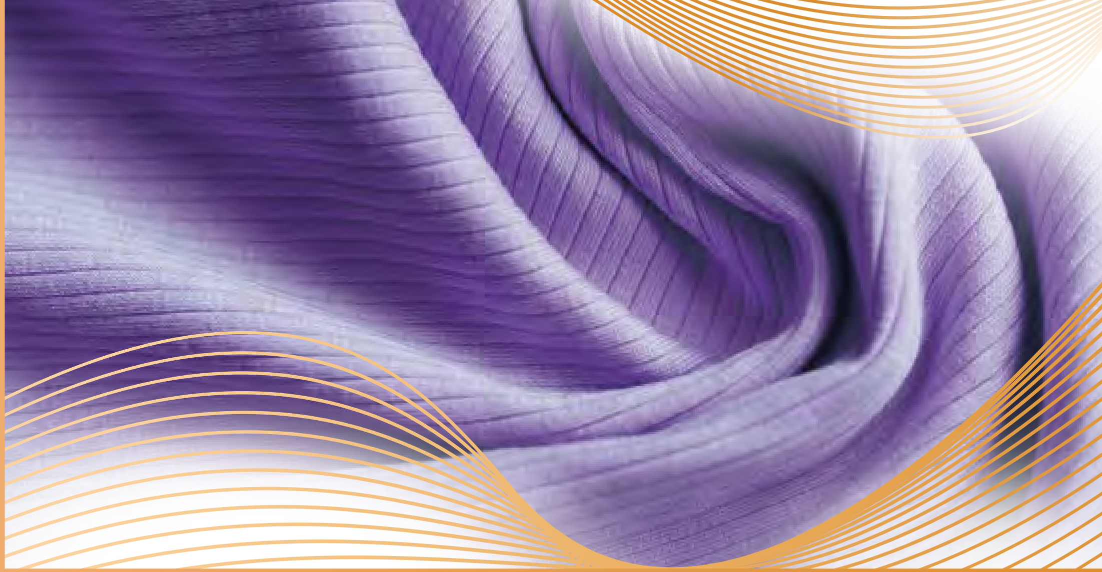
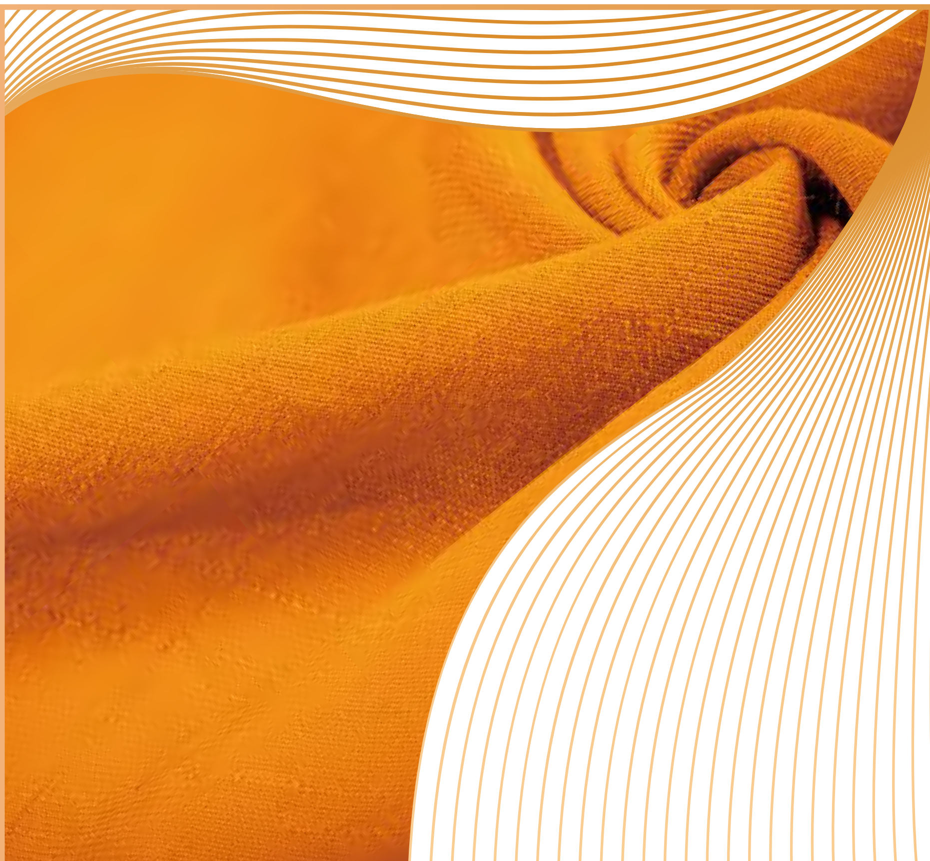
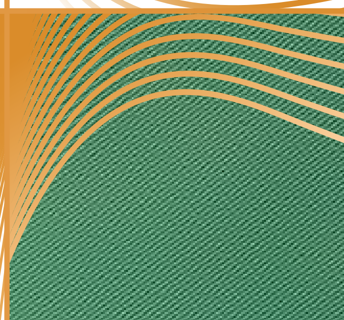
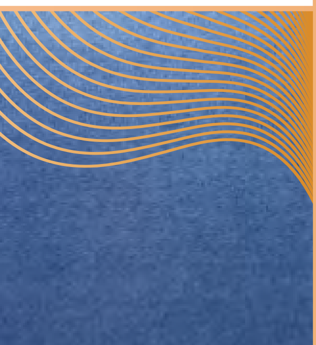



KAM HING INTERNATIONAL HOLDINGS LIMITED
錦 興 國 際 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 02307

2021
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. Lei Heong Man

Independent Non-Executive Directors

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

COMPANY SECRETARY

Mr. Chang Man Kwong

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

REGISTERED OFFICE

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

COMPANY WEBSITE

www.kamhingintl.com

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				
	2017 HK$'000	2018 HK$'000	2019 HK$'000	2020 HK$'000	**2021** **HK$'000**
Revenue	4,192,896	4,650,958	4,350,664	3,826,829	**4,389,437**
EBITDA (note 1)	461,240	494,174	496,408	344,976	**414,003**
Equity attributable to ordinary equity holders of the Company	2,050,158	1,941,483	1,990,763	2,084,312	**2,208,663**
Net profit/(loss) attributable to ordinary equity holders of the Company (notes 2, 3, 4)	62,835	73,182	63,867	(37,561)	**45,986**
Dividends per share (HK cents)	1.5	1.5	1.5	–	**1.3**

KEY FINANCIAL RATIOS

	For the year ended/As at 31 December				
	2017	2018	2019	2020	**2021**
Gross margin (%)	12.3	12.5	13.6	11.2	**12.7**
Net profit/(loss) margin (%)	1.5	1.5	1.4	(0.9)	**1.1**
Gearing ratio (net debt/capital and net debt) (%)	52.1	55.9	50.7	46.4	**48.8**

Notes:

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

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

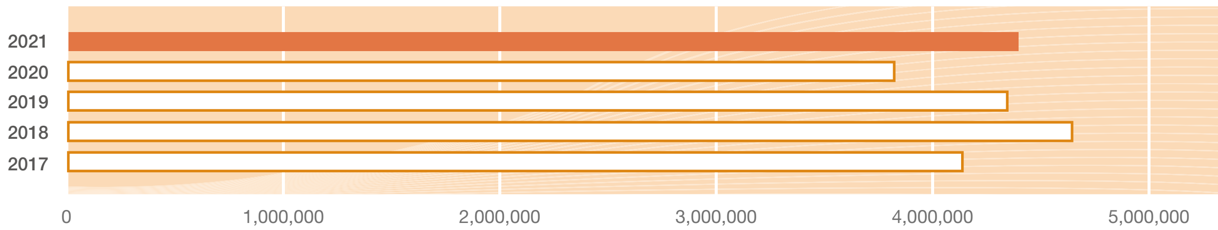
(3) Excluding the one-off loss of HK$3.8 million in relation to the deregistration of subsidiaries in 2019

(4) Excluding the one-off gain of HK$0.3 million in relation to the deregistration of subsidiaries in 2020

FINANCIAL HIGHLIGHTS AND SUMMARY

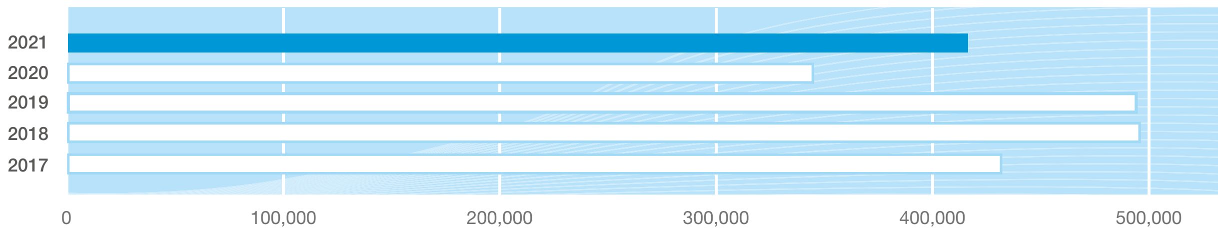
REVENUE

HK$'000



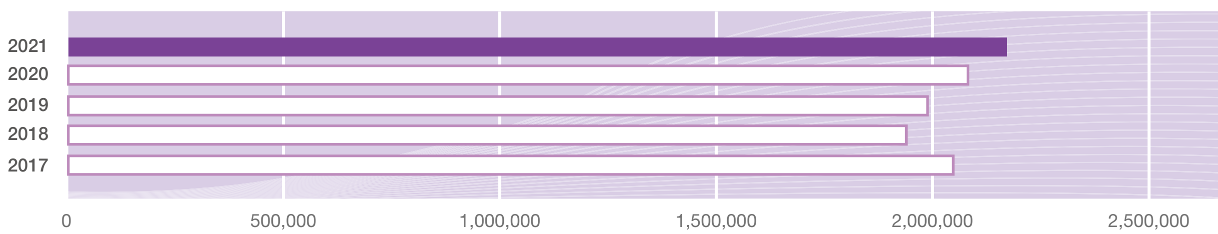
EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION ("EBITDA")

HK$'000



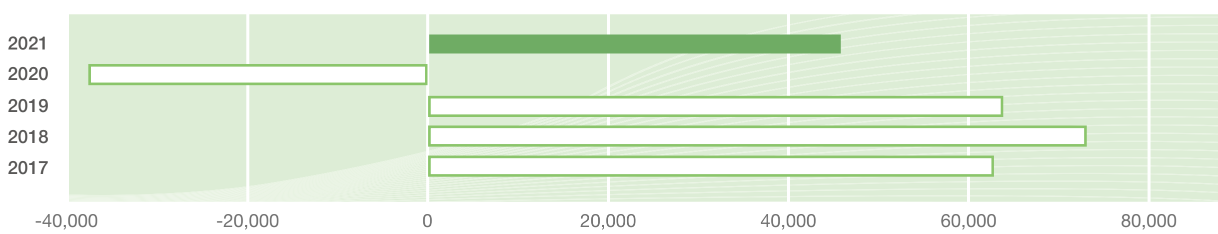
SHAREHOLDERS' FUNDS

HK$'000



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

HK$'000



CHAIRMAN'S STATEMENT

On behalf of the board of Directors (the "Board") of Kam Hing International Holdings Limited (the "Company", together with its subsidiaries, collectively the "Group"), I would like to present to our valued shareholders the annual results for the year ended 31 December 2021 (the "Year").

2021 is a year filled with both opportunities and challenges. While vaccination and ease of lockdown measures facilitated consumer demand revival and sparked higher number of orders from brands, the industry was plagued by intense supply chain disruption caused by raw material shortage and lack of shipping containers and services. This created significant cost pressure for industry players. Additionally, key manufacturing hubs in Southeast Asia was hard hit by the outbreak of COVID-19 mutations, which suspended or slowed manufacturing, causing further pressure to the already tight supply chain.

During this difficult time, our Group's previous efforts in maintaining a healthy financial level and expansion of production capacity paid off, allowing the Group to capitalise on market opportunities while alleviating the negative impacts from market challenges. In facing supply chain disruptions, the Group's robust financial capabilities allowed it to secure the supply of key raw materials such as cotton yarn and dyeing chemicals. As for meeting increased consumer demand from the West, the Group successfully expanded the production capacity of the garment business in Cambodia, which provided our customers with immediate manufacturing support during the Year such that we could jointly navigate through this volatile business environment. As a result, the Group recorded a year-on-year increase of 14.7% in overall revenue for 2021, from approximately HK$3,826.8 million in 2020 to approximately HK$4,389.4 million in 2021, achieving a net gain attributable to ordinary equity holders amounted to HK$46.0 million, a turnaround from a net loss of HK$37.3 million from 2020.

CHAIRMAN'S STATEMENT

To show gratitude to shareholders, the Board has resolved to recommend the payment of a final dividend of HK1.3 cents for the Year.

PROSPECTS

As we entered into 2022, the Group foresees persisting challenges from the evolving pandemic, particularly due to the Omicron variant, which has swiftly spread across the globe since its discovery at the end of 2021; mounting inflation clouds consumer sentiment in the U.S.; further uncertainty comes from renewed geopolitical tension between China and the new Biden-Harris administration of the U.S, as well as the Russo-Ukrainian crisis. On a more positive side, rate of vaccination and booster shots are accelerating globally, and based on the brief but significant rebound of consumer demand in 2021, the Group is cautiously optimistic that recovery of the industry could be rapid once this new wave of pandemic is put under control. In the meantime, to gear up against market unpredictability and facilitate competitive advantage post-pandemic, the Group will remain cautious and diligent, and will prioritise the strategic enhancement of our capabilities such as follows:

- **Commit towards establishing an integrated textile manufacturing complex in Vietnam**

  Looking forward to 2022, the Group would speed up the development of the one-stop textile manufacturing base in Vietnam. We will strive to kick-start the garment production in the second half of 2022 and textile operations in 2023. Synergising with the Group's core fabric knitting facilities in Nansha and Enping, the Group will be able to provide comprehensive textile and garment manufacturing total solutions, greatly increasing the Group's competitiveness and capacity to acquire higher value orders from brand customers.

- **Maintain financial discipline and optimise supply management**

  Healthy financial position remains a foremost priority to the Group in 2022, in consideration of likely-persisting supply chain disruption and the Group's own development plants. The Group completed a loan financing of HK$1.3 billion in 2021 to reserve more financial resources in support of future endeavours. In addition, the Group will also seek to reduce or alleviate cost pressure by stringent supply chain management, considering additional sources of raw material supply and proactively communicating with customers ahead of time to ensure their demands will be met in timely fashion.

- **Drive continual research and development and uphold core values**

  The COVID-19 has irreversibly altered the status quo of the industry and the global economy, and the Group observes new trends appearing in the clothing and garment industry, including the rapid development of E-Commerce in apparel and the shift of clothing preference away from fast fashion towards sport-casual and utility-strong garments. The Group will remain abreast with changing market dynamics by leveraging our core business values, including (1) improving product quality; (2) introducing technology for production innovations; (3) ensuring quick reaction by production process optimisation; and (4) securing sustainable and reliable partnership.

In conclusion, the Group expects 2022 to be fraught with challenges. Nonetheless, the Group will remain strong and resilient, leveraging all the capabilities and resources at our disposal to maintain long-term sustainability and profitability for the benefit of our shareholders.

CHAIRMAN'S STATEMENT

APPRECIATION

Taking this opportunity, on behalf of the Board of Directors, I would like to express my sincere gratitude to the shareholders of the Company for their ongoing support, and to the suppliers, customers and business partners for their trust and cooperation. Lastly, I would like to express my thanks to the Group's management team and all employees for their dedicated efforts.

Tai Chin Chun
Chairman

28 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In 2021, the global textile and garment industry showed signs of improvement despite the persisting COVID-19 pandemic. Increased rate of vaccination and easing of lockdown and social distance policies drove the recovery of long suppressed consumer demand in many western countries, sparking significantly increased number of orders from apparel retailers and brands. However, this rapid increase in demand was underpinned by serious shortage in key raw materials due to geopolitical reason, which drove significant price hikes. As for other manufacturing hubs such as Cambodia and Vietnam, the COVID-19 pandemic reignited during the second half of 2021 and many factories in manufacturing hubs such as Cambodia and Vietnam were hard-hit once again by the re-imposed pandemic control measures, as workers chose to quit their jobs for safety, causing plants to halt production or operate in much lower capacity, which resulted in further pressure to the global textile and garment supply chain. Eventually, increased demand caused the shortage of shipping containers and services as the international logistics industry was still hampered by border control measures, incurring additional expenses for textile and garment manufacturers and eroding profits. In China, coal supply shortage further added cost pressure.

For 2021 as a whole, the market improved notably from 2020. However, lingering impacts of the COVID-19 pandemic and supply chain disruption slowed the overall recovery. According to the China Customs Statistics (CCS) Information Center, for the twelve months ended 31 December 2021, total value of exported textile fabrics increased by 34.5% year-over-year to approximately US$66.7 billion. In comparison, for the six months ended 30 June 2021, total value of exported textile fabrics grew by 61.1% year-over-year to approximately US$30.9 billion. The slow down in growth in the second half year of 2021 reflected that the macroeconomic challenges still faced by the textile and garment industry.

BUSINESS OVERVIEW

The year 2021 presented many challenges but also market opportunities. The Group was able to capitalise on the opportunities while minimising the adverse impacts, which led to improvement to our results. Overall revenue of the Group for 2021 increased by approximately 14.7% year-over-year to approximately HK$4,389.4 million from approximately HK$3,826.8 million in 2020, with gross profit increased by approximately 30.6% year-over-year to approximately HK$558.9 million from approximately HK$427.8 million in 2020. Gross profit margin increased from approximately 11.2% in 2020 to approximately 12.7% in 2021. Profit attributable to ordinary equity holders of the Company for the Year amounted to approximately HK$46.0 million, compared with a loss attributable to ordinary equity holders of the Company of approximately HK$37.3 million in 2020. Basic earnings per share for the Year was approximately HK5.3 cents, compared with loss per share of approximately HK4.3 cents in 2020.

For the Year, revenue generated from the fabric business and garment business accounted for 86.4% and 13.6% of the overall revenue respectively. The fabric business was mostly supported by the Group's two production sites in Enping and Nansha in China, while the factories in Cambodia mainly manufactured garment products.

The Group's fabric business showed recovery during the Year. Revitalised consumer demand in the U.S. and Europe as a result of vaccination progress and easing of social distancing measures led to order growth from the Group's customers. In recognition of the supply chain difficulties, retailers and brand owners were more inclined to make larger batches of order earlier with longer lead times. This provided a greater degree of visibility to our production planning and led to higher efficiency and improved margins. However, shortage of raw materials such as cotton yarn fueled continuous price surge. In addition, commodity such as coal also spiked in price during the Year. The Group's long-standing strategy of maintaining financial agility proved beneficial during the Year, providing it with sufficient capital to procure necessary raw materials and maintain sufficient inventory, preventing disruption to manufacturing schedules. While the Group employed cost pass-through mechanism to its customers during the Year, the margins for the Group's fabric business was unavoidably eroded due to time lag effect and extra logistics expenses incurred.

At the same time, the Group's garment business recorded recovery and achieved more notable growth, driven by improved consumer sentiment of the western society and supported by the Group's garment expansion of the manufacturing lines in Cambodia to meet rising demand during the Year. The recovery of the garment business faced some constraints as COVID-19 infections spiked during the middle of the Year in Cambodia. Nonetheless, the overall performance of the garment business showed substantial improvement.

During the Year, the Group dedicated efforts towards maintaining financial health, paying off its short-term loans to minimise interest expenses. In addition, the Group carried out a loan refinancing amounting to HK$1,300.0 million in December 2021 to further strengthen the Group's resilience towards market unpredictability. Nevertheless, the Group was still working on certain capital expenditures such as the investments in the development of the new one-stop textile manufacturing base in Vietnam. The Group is committed to the establishment of a vertical integrated manufacturing complex outside China in the long run, in alignment with customers' development and the Group's ongoing initiative to increase its one-stop textile manufacturing solution.

PROSPECTS

Looking towards to 2022, the business environment is expected to remain cloudy due to the highly transmissible Omicron variant, which has swept the globe since its discovery near the end of 2021. The Group expects that supply side bottlenecks, including the shortage in raw materials and shipping containers and services, will likely continue in 2022. In addition, the Group observed that inflation as caused by shortage of goods and the earlier fiscal stimulus has showed signs of exacerbating in the U.S., which may suppress the recovering consumer sentiment. In terms of geopolitical tension, trade and other bilateral disputes have occurred in increased frequency in recent years among many countries, most notably between China and the U.S.. Over the past few years, the U.S. has levied trade war, which brought much instability to the textile and garment industry considering that China is one of the largest exporters of textile and garment products, while the U.S. is one of the largest importers.

Under this volatile business environment, in the short to medium term the Group will look to diversify its sources of raw material supply to spread out risks, carrying out frequent communication with suppliers to ensure that production will not be hindered due to lack of materials, as well as devoting financial resources to hedge against raw material cost rise. The Group will also continue to proactively communicate with customers about their order demand, to control the lead time and ensure timely delivery of goods.

In the long run, the Group believes that establishment of a textile vertical integrated solution outside of China remains crucial. The many volatile market factors are expected to induce a round of market consolidation in the future, and industry players must strengthen their capabilities to maintain their edge. In 2022, the Group will speed up the development of the Vietnam manufacturing plant, utilising its resources to accelerate its establishment with the aim of commencing its garment production in late 2022 and textile operations in early 2023. This would allow the Group to strengthen its competitive advantage of being able to provide one-stop integrated manufacturing solutions that are cost efficient and resistant to geopolitical risks.

On an operational level, the Group will continue to maintain tight control on its cash flow and be financially prudent, such that it may flexibly allocate resources to respond to precarious market changes, while maintaining capital strength to support future business development, bringing sustainable and long-term returns to its shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Overall sales turnover reached approximately HK$4,389.4 million, representing an increase of approximately 14.7% (2020: HK$3,826.8 million). The increase was mainly attributable to increase of demand as a result of the continued gradual recovery of the global economy from the impact of the COVID-19 pandemic.

Gross Profit and Gross Margin

Gross profit was approximately HK$558.9 million, representing an increase of approximately 30.6% (2020: HK$427.8 million). Gross margin increased slightly to approximately 12.7% (2020: approximately 11.2%). Benefiting from the economic recovery of the U.S. and European markets, demand for orders increased. Meanwhile, market consolidation has also enhanced the Group's competitiveness and thus increased gross profit margin. However, logistics costs and energy costs rose sharply during the Year and therefore eroding part of profit margin.

Finance Costs

Finance costs, which included an amortisation of syndicated loan charges, interest on term loans from banks, trade loans, bank overdraft and interests on discounted bills, decreased by approximately 25.4% to approximately HK$44.6 million (2020: approximately HK$59.9 million) as compared with last year. This was primarily due to decrease in average balance of bank borrowings and interest rate during the Year. The Group has tightened its control on cash flow. The Group has sufficient bank balances for operation. The Group decreased the use of trade facilities and repaid those loans before due date. Those operations decrease the interest expenses during the Year.

Selling and Distribution Expenses

Selling and distribution expenses increased to approximately HK$137.2 million (2020: approximately HK$103.1 million), mainly due to increase in logistic expenses.

Administrative Expenses

Administrative expenses, including salaries, depreciation, customs declaration, and other related expenses increased to approximately HK$322.6 million (2020: approximately HK$305.9 million) due to cancellation of policy on temporary reduction of salaries and thus salaries expenses resumed to normal.

Other Operating Expenses, net

Other operating expenses, net, were approximately HK$51.6 million (2020: approximately HK$63.4 million), which mainly comprised foreign exchange loss of approximately HK$27.4 million (2020: approximately HK$43.2 million) and operating expenses on sewage treatment of approximately HK$24.8 million (2020: approximately HK$20.8 million).

Net Profit/Loss

Net profit attributable to ordinary equity holders of the Company for the Year was approximately HK$46.0 million (2020: net loss attributable to ordinary equity holders of the Company of approximately HK$37.3 million). Net profit was mainly attributable to increase in sales volume which has nearly resumed to the amount before the COVID-19 pandemic.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Financial Resources

As at 31 December 2021, the Group's net current assets were approximately HK$1,790.6 million (2020: approximately HK$1,188.6 million). The increase in net current assets was mainly due to increase in inventories as a result of: (i) increase in sales orders received in late 2021 when compared with last year; and (ii) more raw materials were maintained in order to avoid unpredictable logistic delay or significant increase in price. 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 2021, the Group had cash and cash equivalents of approximately HK$863.4 million (2020: approximately HK$803.9 million). Current ratio was approximately 2.1 times (2020: approximately 1.7 times).

As at 31 December 2021, total bank borrowings of the Group were approximately HK$1,815.0 million (2020: approximately HK$1,544.2 million). The Group's net debt gearing ratio (i.e. net debts divided by the sum of equity and net debts) was approximately 48.8% (2020: approximately 46.4%). Net debts comprise all interest-bearing bank borrowings, accounts and bills payables, an amount due to an associate, lease liabilities and accrued liabilities and other payables less cash and cash equivalents. Equity comprises owners' equity as stated in the consolidated financial statements.

Debtors' turnover period, inventory turnover period and creditors' turnover period for the Year was 70.7 days (2020: 79.9 days), 117.5 days (2020: 101.9 days) and 78.4 days (2020: 86.1 days) respectively. Debtors' turnover period has slightly improved. The inventory turnover period increased due to increase in inventories which is mentioned above. Creditor's turnover period has slightly decreased due to improvement in procurement control.

Financing

As at 31 December 2021, total banking facilities of the Group amounted to approximately HK$5,559.8 million (2020: approximately HK$5,401.8 million), of which approximately HK$2,299.6 million (2020: approximately HK$2,014.0 million) was utilised.

As at 31 December 2021, the Group's long-term loans were approximately HK$1,286.1 million (2020: approximately HK$968.6 million), comprising syndicated loan from banks.

Dividend

The Board has resolved to recommend the payment of a final dividend of HK1.3 cents (2020: Nil) per ordinary share for the Year and will be payable to the shareholders whose names appear on the register of members of the Company on Friday, 10 June 2022. Subject to the approval of shareholders at the forthcoming annual general meeting of the Company, the proposed final dividend is expected to be paid on or about Friday, 8 July 2022.

Capital Structure

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

As at 31 December 2021, there has been no change in the capital structure of the Company. The share capital of the Company comprises only ordinary shares.

MANAGEMENT DISCUSSION AND ANALYSIS

Foreign Exchange Risk and Interest Rate Risk

Approximately 75.1% (2020: approximately 72.0%) of the Group's sales was denominated in U.S. dollars. The remaining sales were denominated in Hong Kong dollars and Renminbi. The majority of the Group's costs of sales were denominated in U.S. dollars, Hong Kong dollars and Renminbi. The Group is therefore exposed to foreign exchange risk arising from currency exposures, primarily in respect to the Renminbi. During the Year, other than the Renminbi appreciated as China's economy rapidly recovered from the COVID-19 pandemic, exchange rates of other currencies were relatively stable. The Group continued to monitor foreign exchange movements and determined appropriate and prudent hedging measures as needed.

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

Capital Expenditure

As at 31 December 2021, the Group invested approximately HK$116.7 million (2020: approximately HK$119.5 million) in capital expenditure of which approximately 96.2% (2020: approximately 86.8%) was used for the purchase of plant and machinery, no expenditures (2020: approximately 7.4%) was used for the construction of new factory premises, and the remaining was used for the purchase of other items of property, plant and equipment.

As at 31 December 2021, the Group had capital commitments of approximately HK$40.6 million (2020: approximately HK$31.8 million) in property, plant and equipment and right-of-use assets and approximately HK$197.7 million (2020: approximately HK$193.0 million) in construction of new manufacturing facilities. All are funded or will be funded by internal resources.

Staff Policy

The Group had 4,506 (2020: 4,644) employees in the People's Republic of China ("PRC"), 2,422 employees in Cambodia (2020: 2,074) and 124 employees in Hong Kong, Macau, Singapore and others territories as at 31 December 2021 (2020: 134). Remuneration packages are generally structured by reference to market terms and individual qualification. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Discretionary bonuses are offered to the Group's staff depending on their performance and the results of the Group. The Group also participates in various defined contribution plans and insurance schemes in compliance with its statutory obligations under the laws and regulations of various locations worldwide.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Segment Information

For the Year, the major end-market remained as the U.S.. By analysis of location of customers, by regions, sales to the five largest regions (Korea, Mainland China, Taiwan, Singapore and Hong Kong) accounted for approximately 82.1% (2020: (Korea, Mainland China, Taiwan, Hong Kong and Singapore) approximately 84.1%) of total sales of the Group and sales to the largest region Korea (2020: Korea) included therein accounted for approximately 36.0% (2020: approximately 35.1%) of the Group.

As at 31 December 2021, the Group's assets located in the fabric operation accounted for approximately 87.2% (2020: approximately 90.4%) of the total assets of the Group. Capital expenditure in the fabric operation during the Year accounted for 83.9% (2020: 96.2%) of the total capital expenditure of the Group.

Significant Investment

As at 31 December 2021, the Group did not hold any significant investment with a value of 5% or more of the Group's total assets.

Material Acquisition and Disposal

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

Future Plans for Material Investments or Capital Assets

The Group plans to construct a textile manufacturing base on our leased land in Vietnam. The construction costs are funded or will be funded by internal resources or bank borrowings.

Treasury Policy

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

Equity Fund Raising Exercise

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

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 2021.

BOARD OF DIRECTORS

As at 31 December 2021, the Board comprised eight Directors, including five executive Directors and three independent non-executive Directors. Biographical details of the Directors are set out in the section headed "Profile of Directors and Senior Management" on pages 22 to 25 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	60	28 years
	Mr. Tai Chin Wen	Chief Executive Officer	Male	66	28 years
	Ms. Cheung So Wan		Female	58	25 years
	Ms. Wong Siu Yuk		Female	60	25 years
	Mr. Lei Heong Man		Male	61	12 years
Independent Non-executive Directors:	Mr. Ho Gilbert Chi Hang	Chairman of Nomination Committee	Male	45	11 years
	Mr. Ting Kay Loong	Chairman of Remuneration Committee	Male	60	5 years
	Mr. Wu Tak Lung	Chairman of Audit Committee	Male	56	6 years

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

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 non-executive Directors represent at least one-third of the Board and at least one of them possesses the requisite appropriate professional accounting qualifications.

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

NON-EXECUTIVE DIRECTOR

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

COMPANY SECRETARY

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

REMUNERATION COMMITTEE

The remuneration committee was established in September 2005. Terms of reference adopted 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, the remuneration committee convened one meeting 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)*	1/1	100
Mr. Ho Gilbert Chi Hang	1/1	100
Mr. Wu Tak Lung	1/1	100
Executive Directors:		
Mr. Tai Chin Chun	1/1	100
Mr. Tai Chin Wen	1/1	100

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

NOMINATION COMMITTEE

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

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

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

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

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, 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 34 to 38 of this report.

AUDIT COMMITTEE

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

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

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

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, 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.

During the Year, the computer operation system of the Company in the PRC was subject to cyberattack which caused a minor disruption to the Group. The Group has reported the matter to the police in both PRC and Hong Kong, and Information Technology expert has been engaged to review and enhance the computer operation system of the Group.

CORPORATE GOVERNANCE REPORT

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

DIVIDEND POLICY

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

CONSTITUTIONAL DOCUMENTS

During the Year, there was no change to the Company's constitutional documents. 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.

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, 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 60, is the Chairman of the Board, an executive Director, a director of most subsidiaries of the Company and co-founder of the Group. He is also a member of the remuneration committee and nomination committee of the Company. Mr. Tai is in charge of the Group's corporate strategy, planning and overall development. He has more than 30 years of experience in the textile industry, in which he served more than 25 years for the Group. Mr. Tai 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 66, 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 25 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), honorary life chairman of World of Dai Clan Governing Council (世界戴氏宗親總會永遠榮譽理事長) and honorary life president of Fujian Tai's Clan Hong Kong Association (福建旅港戴氏宗親會永遠榮譽會長). He has also been awarded honorary citizenship of Guangzhou Municipal and Jiangmen (廣州市榮譽市民及江門市榮譽市民), honorary life chairman of Hong Kong Federation of Fujian Association (香港福建社團聯會永遠名譽主席), managing vice president of Federation of Hong Kong Hubei Associations (香港湖北社團總會常務副會長) and honorary life president of the Nam An (Hong Kong) Association (香港南安公會永遠名譽會長). Mr. Tai 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 58, 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 60, is an executive Director. She is also a director of some subsidiaries of the Group. She is responsible for dyeing material sourcing, quality control and stock control in the Group, and assists in the overall management of the Group. Ms. Wong joined the Group in December 1996 and has more than 20 years of experience in the textile industry. Ms. Wong is the spouse of Mr. Tai Chin Wen.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Lei Heong Man (李向民), aged 61, is an executive Director. He is the chief financial officer and is responsible for the supervision and management of the Group in Finance, IT & Human Resource matters. Mr. Lei has over 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.

Independent Non-Executive Directors

Mr. Ho Gilbert Chi Hang (何智恒), aged 45, is a member and the chairman of the nomination committee, and a member of the remuneration committee and audit committee of the Company. Mr. Ho holds a Bachelor of Commerce Degree and a Bachelor of Laws Degree from the University of Sydney, Australia and was admitted as a solicitor admitted in New South Wales, Australia and England and Wales and a solicitor and barrister admitted in the High Court of Australia. Mr. Ho is also a fellow member of CPA Australia.

Mr. Ho is a committee member of Industry Advisory Committee of Insurance Authority (保險業監管局業界諮詢委員會), Deputy Chairperson of CPA Australia Greater Bay Area Committee (澳洲會計師公會大灣區委員會), a member of the China Committee of Hong Kong General Chamber of Commerce (香港總商會中國委員會), a committee member of the Chinese People's Political Consultative Conference of Shenyang (中國人民政治協商會議瀋陽市委員會), a standing committee member of the Youth Federation of Inner Mongolia (內蒙古自治區青年聯合會) and a vice chairman of Inner Mongolia & Hong Kong Youth Exchange Association (蒙港青年交流促進會).

Mr. Ho currently serves as an executive director and chief operating officer of NWS Holdings Limited (stock code: 0659), an independent non-executive director of Asia Allied Infrastructure Holdings Limited (stock code: 0711), and a non-executive director of Wai Kee Holdings Limited (stock code: 0610) and Shoucheng Holdings Limited (formerly known as Shougang Concord International Enterprises Company Limited (stock code: 0697)), all of the above-mentioned companies are listed companies in Hong Kong. He joined the Group on 4 May 2020.

Mr. Ting Kay Loong (丁基龍), aged 60, 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.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Wu Tak Lung (吳德龍), aged 56, 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 Chartered Governance Institute. He had worked in Deloitte Touche Tohmatsu, an international accounting firm, for five years and was then employed by several companies in Hong Kong as head of corporate finance and/or executive director. Mr. Wu joined the Group on 1 December 2016.

Mr. Wu serves as an independent non-executive director of Henan Jinma Energy Company Limited (stock code: 6885), Sinopharm Group Co., Ltd (stock code: 1099), Sinomax Group Limited (stock code: 1418), Zhongguancun Science-Tech Leasing Co., Ltd. (stock code: 1601), Minth Group Limited (stock code: 425), all are listed companies in Hong Kong.

On 10 February 2022, the Listing Committee of the Stock Exchange issued a statement in which, among others, certain members and former members of the board of Beijing Media Corporation Limited have been criticised, details of which in respect of Mr. Wu (as a former independent non-executive director of such company) are set out in the Company's announcement dated 15 February 2022.

Moreover, he was an independent non-executive director of Beijing Media Corporation Limited (stock code: 1000), a company listed on the Main Board of the Stock Exchange and China Machinery Engineering Corporation (Stock code: 1829). He was an independent director of Olympic Circuit Technology Co., Ltd. (stock code: 603920), a company listed in Shanghai Stock Exchange in the last three years.

Senior Management

Mr. Wong Yi Ming (黃一鳴), aged 57, is the general manager of operations of Guangzhou Kamhing Textile Dyeing Co., Ltd. (the "Guangzhou KH"), a wholly-owned subsidiary of the Group, and is responsible for the overall management and administration of Guangzhou KH. Mr. Wong obtained a Master Degree of Business Administration from the Zhongshan University. He has over 25 years of management experience in the textile industry. Prior to joining the Group in September 1997, Mr. Wong has worked for PRC companies for over 16 years, where he was responsible for financial and business management. Mr. Wong is the younger brother of Ms. Wong Siu Yuk.

Mr. Ho Yi Piu (何宜標), aged 53, is the director of Kam Hing Piece Works (S) Pte Limited, a wholly-owned subsidiary of the Group. Mr. Ho is the general manager of sales and marketing. Mr. Ho obtained a Diploma in Business Administration from the Society of Business Practitioners, Cheshire, the United Kingdom. Prior to joining the Group in June 1999, Mr. Ho has worked for fabric trading companies and he has over 15 years of experience in the textile industry. Mr. Ho is the son-in-law of the brother of Mr. Tai Chin Chun and Mr. Tai Chin Wen.

Mr. Tai Tang Tat (戴騰達), aged 41, is the general manager of sales and marketing and a director of some subsidiaries of the Group. Mr. Tai obtained a Diploma in Computer Science from the Sydney Institute of Business and Technology, Australia. Mr. Tai is the son of Mr. Tai Chin Wen and Ms. Wong Siu Yuk. Mr. Tai joined the Group in March 2002.

Mr. Chan Kin Wang (陳建宏), aged 58, 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 49, 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 50, 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 59, 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 2021.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

A review of the business of the Group during the Year and a discussion on the Group's future business development are provided in the Chairman's Statement on pages 5 to 7 and the Management Discussion and Analysis on pages 8 to 13 of this report. Description of possible risks and uncertainties that the Group may be facing can be found in the Management Discussion and Analysis on pages 8 to 13. Also, the financial risk management objectives and policies of the Group are provided in the Management Discussion and Analysis on pages 8 to 13 and also in note 35 to the financial statements. An analysis of the Group's performance during the Year using financial key performance indicators is provided in the Financial Highlights and Summary and Five-year Financial Summary on pages 3 to 4 and 114 respectively of this report. These discussions form part of this Directors' report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

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

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

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

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

The Group provides quality products and handle customer needs carefully. In order to meet customer expectations, we ensure there is adequate communication and offer customers with different solutions. We are committed to using our best effort to maintain 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 results for the Year and the financial position of the Group at that date are set out in the financial statements on pages 39 to 113.

The Directors recommend the payment of a final dividend of HK1.3 cents (2020: Nil) 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, 10 June 2022. Subject to the approval of shareholders at the forthcoming annual general meeting, the proposed final dividend will be paid on or about Friday, 8 July 2022.

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 114. That summary does not form part of the audited financial statements.

SHARE CAPITAL AND SHARE OPTIONS

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company's reserves available for distribution, calculated in accordance with the Companies Act, Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands, amounting to HK$1,060,843,000. The amount of HK$1,060,843,000 includes the Company's share premium account and capital reserve of HK$848,112,000 in aggregate as at 31 December 2021, 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$1,812,000.

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, sales to the Group's five largest customers accounted for 33.9% (2020: 30.8%) of the total sales and sales to the largest customer included therein accounted for 9.0% (2020: 12.4%). Purchases from the Group's five largest suppliers accounted for 38.2% (2020: 42.4%) of the total purchases for the Year and purchases from the largest supplier included therein accounted for 11.5% (2020: 13.5%).

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

DIRECTORS

The Directors 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. Lei Heong Man

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. Lei Heong Man, Mr. Ho Gilbert Chi Hang, and Mr. Wu Tak Lung will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 22 to 25 of the annual report.

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS

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

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

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

EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

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

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

EQUITY FUND RAISING ACTIVITIES

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

TAX RELIEF

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

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2021, the interests and short positions of the Directors or the chief executive of the Company in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

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

Name of Director	Notes	Capacity and nature of interest: 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. Lei Heong Man		200,000	–	–	200,000	0.23

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

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 2021 and up to the date of this annual report which provides appropriate cover for the Directors.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

MANAGEMENT CONTRACT

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

SHARE OPTION SCHEME

During the Year, no share options had been granted under the share option scheme and there was no outstanding share option as at 31 December 2021.

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

(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 Tuesday, 31 May 2022 to Monday, 6 June 2022, 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 Monday, 30 May 2022.

(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, 10 June 2022, 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, 9 June 2022.

RELATED PARTY TRANSACTIONS

Related party transactions entered into by the Group during the Year are set out in note 31 to the financial statements. Except for transactions with an associate, these related party transactions are connected transactions 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 2021, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long positions:

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 2021, no person, other than the Directors or the chief executive of the Company whose interests are set out under the sections headed "Directors' interests and short positions in shares and underlying shares" 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 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 20 December 2021 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.

REPORT OF THE DIRECTORS

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

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

ON BEHALF OF THE BOARD

Tai Chin Chun
Chairman

Hong Kong
28 March 2022

INDEPENDENT AUDITOR'S REPORT

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

OPINION

We have audited the consolidated financial statements of Kam Hing International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 39 to 113, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021, 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 24% and 10% of the net assets value and total assets of the Group, respectively, and were significant to the consolidated statement of financial position of the Group as at 31 December 2021. 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 19 to the financial statements.	We obtained management's impairment assessment on the accounts receivable balances and checked the settlement received from customers subsequent to the end of the reporting period and assessed the underlying assumptions adopted by management in the provision matrix, with reference to various factors such as the ageing of accounts receivable balances, the credit terms granted by the Group to respective customers, the historical repayment patterns of customers and forward-looking factors.
Assessment of inventory provision	
Inventories accounted for 69% and 29% of the net assets value and total assets of the Group, respectively, and were significant to the consolidated statement of financial position of the Group as at 31 December 2021. 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 the 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 18 to the financial statements.	In assessing the inventory provision, we checked 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. We attended the physical inventory count and noted for any obsolete items and observed the stocktake procedures performed by management. We checked the 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, actions taken to eliminate threats or safeguards applied.

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
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong
28 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
REVENUE	5	**4,389,437**	3,826,829
Cost of sales		**(3,830,494)**	(3,399,007)
Gross profit		**558,943**	427,822
Other income and gains	5	**51,862**	95,323
Selling and distribution expenses		**(137,164)**	(103,107)
Administrative expenses		**(322,569)**	(305,889)
Write-back of impairment losses/(impairment losses) on financial assets, net		**1,993**	(18,438)
Other operating expenses, net		**(51,564)**	(63,375)
Finance costs	6	**(44,648)**	(59,888)
Share of losses of an associate		**(141)**	(1,501)
PROFIT/(LOSS) BEFORE TAX	7	**56,712**	(29,053)
Income tax expense	10	**(7,616)**	(6,539)
PROFIT/(LOSS) FOR THE YEAR		**49,096**	(35,592)
Attributable to:			
Ordinary equity holders of the Company		**45,986**	(37,298)
Non-controlling interests		**3,110**	1,706
		49,096	(35,592)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12		
Basic		**HK5.3 cents**	(HK4.3 cents)
Diluted		**HK5.3 cents**	(HK4.3 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
PROFIT/(LOSS) FOR THE YEAR		**49,096**	(35,592)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income/(expenses) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences:			
Exchange differences on translation of foreign operations		**78,277**	143,620
Share of other comprehensive income of an associate		**88**	322
Realisation of exchange reserve and derecognition of non-controlling interest upon deregistration of subsidiaries	37(j)	**–**	(263)
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**78,365**	143,679
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**127,461**	108,087
Attributable to:			
Ordinary equity holders of the Company		**124,351**	106,598
Non-controlling interests		**3,110**	1,489
		127,461	108,087

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**1,424,404**	1,575,354
Right-of-use assets	14(a)	**237,343**	246,037
Interests in associates	15	**3,686**	3,739
Prepayments		**5,848**	6,502
Long term receivables		**36,038**	34,936
Deposits paid	16	**5,034**	8,106
Deferred tax assets	26	**29,347**	28,471
Total non-current assets		**1,741,700**	1,903,145
CURRENT ASSETS			
Properties under development	17	**60,220**	58,786
Inventories	18	**1,517,754**	949,230
Accounts and bills receivables	19	**863,662**	837,908
Prepayments, deposits and other receivables		**76,590**	67,455
Financial asset at fair value through profit or loss	20	**315**	147
Tax recoverable		**–**	1,068
Pledged deposits	21	**69,552**	81,695
Cash and cash equivalents	21	**863,437**	803,946
Total current assets		**3,451,530**	2,800,235
CURRENT LIABILITIES			
Accounts and bills payables	22	**844,352**	802,139
Accrued liabilities and other payables	23	**268,582**	220,499
Due to an associate	15	**947**	947
Tax payable		**10,693**	4,378
Interest-bearing bank borrowings	24	**528,906**	575,670
Lease liabilities	14(b)	**7,446**	8,031
Total current liabilities		**1,660,926**	1,611,664
NET CURRENT ASSETS		**1,790,604**	1,188,571
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,532,304**	3,091,716

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	24	**1,286,116**	968,575
Lease liabilities	14(b)	**29,909**	33,979
Deferred tax liabilities	26	**5,358**	5,702
Total non-current liabilities		**1,321,383**	1,008,256
Net assets		**2,210,921**	2,083,460
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital	27	**86,992**	86,992
Reserves	29	**2,121,671**	1,997,320
		2,208,663	2,084,312
Non-controlling interests		**2,258**	(852)
Total equity		**2,210,921**	2,083,460

Tai Chin Chun
Director

Tai Chin Wen
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	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 2021	86,992	446,105	104,804	75,974	(11,979)	171,893	1,210,523	2,084,312	(852)	2,083,460
Profit for the year	–	–	–	–	–	–	45,986	45,986	3,110	49,096
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	–	–	–	–	–	78,277	–	78,277	–	78,277
Share of other comprehensive income of an associate	–	–	–	–	–	88	–	88	–	88
Total comprehensive income for the year	–	–	–	–	–	78,365	45,986	124,351	3,110	127,461
Transfer to statutory surplus reserve	–	–	–	3,363	–	–	(3,363)	–	–	–
At 31 December 2021	86,992	446,105*	104,804*	79,337*	(11,979)*	250,258*	1,253,146*	2,208,663	2,258	2,210,921

* These reserve accounts comprise the consolidated reserves of HK$2,121,671,000 (2020: HK$1,997,320,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	Note	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 2020		86,992	446,105	104,804	63,267	(11,979)	27,997	1,273,577	1,990,763	(955)	1,989,808
Profit/(loss) for the year		–	–	–	–	–	–	(37,298)	(37,298)	1,706	(35,592)
Other comprehensive income/(expenses) for the year:											
Exchange differences on translation of foreign operations		–	–	–	–	–	143,620	–	143,620	–	143,620
Share of other comprehensive income of an associate		–	–	–	–	–	322	–	322	–	322
Realisation of exchange reserve and derecognition of non-controlling interests upon deregistration of subsidiaries	37(j)	–	–	–	–	–	(46)	–	(46)	(217)	(263)
Total comprehensive income/(expenses) for the year		–	–	–	–	–	143,896	(37,298)	106,598	1,489	108,087
Final 2019 dividend declared and paid		–	–	–	–	–	–	(13,049)	(13,049)	–	(13,049)
Transfer to statutory surplus reserve		–	–	–	12,707	–	–	(12,707)	–	–	–
Dividend paid to non-controlling shareholders		–	–	–	–	–	–	–	–	(1,386)	(1,386)
At 31 December 2020		86,992	446,105*	104,804*	75,974*	(11,979)*	171,893*	1,210,523*	2,084,312	(852)	2,083,460

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**56,712**	(29,053)
Adjustments for:			
Share of losses of an associate	15	**141**	1,501
Bank interest income	5	**(2,415)**	(4,755)
COVID-19-related rent concessions from lessors	5	**(365)**	(454)
Fair value gains:			
Financial asset at fair value through profit or loss	5	**(168)**	(12)
Finance costs	6	**30,752**	52,416
Amortisation of bank charges on syndicated loans	6	**12,041**	5,571
Interest on lease liabilities	6	**1,855**	1,901
Depreciation of items of property, plant and equipment	7	**296,971**	297,416
Depreciation of right-of-use assets	7	**15,672**	16,725
Gain on early termination of lease arrangements	7	**(20)**	–
Loss/(gain) on disposal of items of property, plant and equipment, net	7	**(617)**	1,417
Provision/(write-back of provision) for inventories	7	**(3,232)**	10,143
Impairment/(write-back of impairment) allowance for accounts receivable, net	7	**(1,993)**	18,554
Write-off of other receivables	7	**–**	49
Write-back of impairment of other receivables	7	**–**	(116)
Write-off of aged liabilities	7	**–**	(1,758)
Gain on deregistration of subsidiaries, net	7	**–**	(263)
		405,334	369,282
Decrease/(increase) in inventories		**(565,292)**	65,407
Increase in accounts and bills receivables		**(23,761)**	(10,472)
Increase in prepayments, deposits and other receivables		**(8,481)**	(18,665)
Increase in accounts and bills payables		**42,213**	138,886
Increase in accrued liabilities and other payables		**48,083**	19,031
Exchange realignment		**38,517**	58,620
Cash generated from/(used in) operations		**(63,387)**	622,089
Interest received		**2,415**	4,755
Interest paid		**(30,752)**	(52,416)
Interest element of lease payments		**(1,855)**	(1,901)
Hong Kong profits tax refunded		**991**	74
Hong Kong profits tax paid		**(2,712)**	(10,940)
Overseas taxes refunded		**848**	1,124
Overseas taxes paid		**(131)**	(1,631)
Net cash flows from/(used in) operating activities		**(94,583)**	561,154

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	13, 25(a)	(113,563)	(106,965)
Capital contribution to an associate		–	(4,918)
Payment of right-of-use assets		–	(2,049)
Proceeds from disposal of items of property, plant and equipment		3,591	1,079
Decrease in an amount due to an associate		–	(4)
Increase in long term receivables		(1,102)	(1,659)
Increase in deposits paid	25(a)	(2,302)	(5,579)
Decrease/(increase) in pledged deposits		12,143	(26,143)
Net cash flows used in investing activities		(101,233)	(146,238)
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal portion of lease payments	25(b)	(6,059)	(6,807)
Drawdown of bank loans		3,335,462	1,040,411
Repayment of bank loans		(3,076,726)	(1,410,098)
Dividend paid		–	(13,049)
Net cash flows from/(used in) financing activities		252,677	(389,543)
NET INCREASE IN CASH AND CASH EQUIVALENTS		56,861	25,373
Cash and cash equivalents at beginning of year		803,946	772,957
Effect of foreign exchange rate changes, net		2,630	5,616
CASH AND CASH EQUIVALENTS AT END OF YEAR		863,437	803,946
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	21	863,437	741,546
Non-pledged time deposits with original maturity of less than three months when acquired	21	–	62,400
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		863,437	803,946

NOTES TO FINANCIAL STATEMENTS

31 December 2021

1. CORPORATE AND GROUP INFORMATION

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

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

2.1 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 2021. 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 revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform - Phase 2*
Amendment to HKFRS 16	*COVID-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

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

    The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate ("HIBOR") and United States dollars based on the London Interbank Offered Rate ("LIBOR") as at 31 December 2021. The Group expects that HIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group's HIBOR-based borrowings. For the LIBOR-based borrowings, since the interest rates of these instruments were not replaced by RFRs during the year, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the "economically equivalent" criterion is met. Additional information about the transition and the associated risks is disclosed in note 35 to the financial statements.

(b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

    The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the year ended 31 December 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the COVID-19 pandemic. A reduction in the lease payments arising from the rent concessions of HK$365,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2021. There was no impact on the opening balance of equity as at 1 January 2021.

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	*Reference to the Conceptual Framework*[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 HKFRS 17	*Insurance Contracts*[2, 5]
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*[2]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[2, 4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to HKAS 8	*Definition of Accounting Estimates*[2]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to HKAS 37	*Onerous Contracts - Cost of Fulfilling a Contract*[1]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[1]

1 Effective for annual periods beginning on or after 1 January 2022

2 Effective for annual periods beginning on or after 1 January 2023

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

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

The Group's share of the post-acquisition results and other comprehensive income of associates 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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.

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, properties under development, financial assets and deferred tax assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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

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

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 the carrying amount.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

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

Group as a lessee

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

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less 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 lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

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.

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 as other income 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

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

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Financial liabilities at amortised cost (loans and borrowings) (continued)

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions (continued)

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

Income tax

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

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

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

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 associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax 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 associates, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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.

Government grants

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

Revenue recognition

Revenue from contracts with customers

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

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

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Share-based payments (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

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

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

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

The functional currencies of certain overseas subsidiaries and an associate are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the exchange rates that approximate to those prevailing at the dates of the transactions. The resulting exchange differences are recognised in other comprehensive income and accumulated in 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.

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

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

Impairment of assets

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

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 19 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 segment engages in the production and sale of knitted fabric and dyed yarn;

(b) the garment segment engages in the production and sale of garment products and provision of related subcontracting services; and

(c) the "others" segment includes the provision of sewage treatment service, the provision of air and ocean freight handling services, 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 2021

	Fabric HK$'000	Garment HK$'000	Others HK$'000	Total HK$'000
Segment revenue: (note 5)				
Revenue from external customers	3,791,705	597,732	–	4,389,437
Intersegment sales	153,429	–	–	153,429
	3,945,134	597,732	–	4,542,866
Elimination of intersegment sales				(153,429)
				4,389,437
Segment profit/(loss)	84,113	18,494	(5,376)	97,231
Bank interest income	2,363	36	16	2,415
Finance costs (other than interest on lease liabilities)	(42,709)	(84)	–	(42,793)
Share of loss of an associate	–	(141)	–	(141)
Profit/(loss) before tax	43,767	18,305	(5,360)	56,712
Income tax credit/(expense)	(4,796)	(3,186)	366	(7,616)
Profit/(loss) for the year	38,971	15,119	(4,994)	49,096
Assets and liabilities				
Segment assets	4,524,219	488,792	147,186	5,160,197
Interests in associates	–	3,686	–	3,686
Deferred tax assets	2,716	–	26,631	29,347
Total assets	4,526,935	492,478	173,817	5,193,230
Segment liabilities	2,848,353	114,241	14,357	2,976,951
Deferred tax liabilities	–	–	5,358	5,358
Total liabilities	2,848,353	114,241	19,715	2,982,309
Other segment information:				
Depreciation of items of property, plant and equipment	287,451	5,349	4,171	296,971
Depreciation of right-of-use assets	12,645	2,616	411	15,672
Gain on early termination of lease arrangements	(20)	–	–	(20)
Gain on disposal of items of property, plant and equipment, net	(546)	(71)	–	(617)
Impairment/(write-back of impairment) of allowance for accounts receivable, net	(2,094)	101	–	(1,993)
Write-back of provision for inventories	(3,232)	–	–	(3,232)
Capital expenditure*	97,900	18,685	141	116,726

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

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2020

	Fabric HK$'000	Garment HK$'000	Others HK$'000	Total HK$'000
Segment revenue: (note 5)				
Revenue from external customers	3,387,422	439,407	–	3,826,829
Intersegment sales	107,910	–	–	107,910
	3,495,332	439,407	–	3,934,739
Elimination of intersegment sales				(107,910)
				3,826,829
Segment profit/(loss)	15,727	9,906	(216)	25,417
Bank interest income	4,715	17	23	4,755
Finance costs (other than interest on lease liabilities)	(57,838)	(149)	–	(57,987)
Gain on deregistration of subsidiaries	263	–	–	263
Share of loss of an associate	–	(1,501)	–	(1,501)
Profit/(loss) before tax	(37,133)	8,273	(193)	(29,053)
Income tax credit/(expense)	(4,517)	(2,278)	256	(6,539)
Profit/(loss) for the year	(41,650)	5,995	63	(35,592)
Assets and liabilities				
Segment assets	4,250,678	274,472	146,020	4,671,170
Interests in associates	–	3,739	–	3,739
Deferred tax assets	2,474	–	25,997	28,471
Total assets	4,253,152	278,211	172,017	4,703,380
Segment liabilities	2,550,832	50,853	12,533	2,614,218
Deferred tax liabilities	76	–	5,626	5,702
Total liabilities	2,550,908	50,853	18,159	2,619,920
Other segment information:				
Depreciation of items of property, plant and equipment	289,355	4,554	3,507	297,416
Depreciation of right-of-use assets	12,599	3,153	973	16,725
Loss on disposal of items of property, plant and equipment, net	1,417	–	–	1,417
Impairment of allowance for accounts receivable, net	18,553	1	–	18,554
Write-back of impairment of other receivables	(116)	–	–	(116)
Write-off of other receivables	49	–	–	49
Provision for inventories	10,143	–	–	10,143
Write-off of aged liabilities	(1,758)	–	–	(1,758)
Capital expenditure*	114,907	3,863	705	119,475

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

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2021 HK$'000	2020 HK$'000
Korea	1,581,541	1,343,663
Mainland China	1,001,599	931,247
Taiwan	489,117	331,538
Singapore	346,064	296,887
Hong Kong	187,638	315,254
Others	783,478	608,240
	4,389,437	3,826,829

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

(b) Non-current assets

	2021 HK$'000	2020 HK$'000
Mainland China	1,505,616	1,671,962
Hong Kong	59,697	66,361
Cambodia	72,429	62,600
Singapore	1,756	1,257
Others	36,817	37,558
	1,676,315	1,839,738

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

Information about a major customer

During the year ended 31 December 2021, the revenue from the Group's largest customer amounted to less than 10% of the Group's total revenue. During the year ended 31 December 2020, revenue of approximately HK$474,899,000 was derived from sales by the fabric segment to a single customer.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2021 HK$'000	2020 HK$'000
Revenue from contracts with customers		
Production and sale of knitted fabric and dyed yarn	3,791,705	3,387,422
Production and sale of garment products and provision of related subcontracting services	597,732	439,407
	4,389,437	3,826,829

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2021

Segments	Fabric HK$'000	Garment HK$'000	Total HK$'000
Types of goods or services			
Sale of goods	3,791,705	583,419	4,375,124
Subcontracting services	–	14,313	14,313
Total revenue from contracts with customers	3,791,705	597,732	4,389,437
Geographical markets			
Korea	1,581,541	–	1,581,541
Mainland China	900,859	100,740	1,001,599
Taiwan	489,117	–	489,117
Singapore	152,194	193,870	346,064
Hong Kong	177,237	10,401	187,638
Others	490,757	292,721	783,478
Total revenue from contracts with customers	3,791,705	597,732	4,389,437
Timing of revenue recognition			
At a point in time	3,791,705	597,732	4,389,437

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

For the year ended 31 December 2020

Segments	Fabric HK$'000	Garment HK$'000	Total HK$'000
Types of goods or services			
Sale of goods	3,387,422	421,752	3,809,174
Subcontracting services	–	17,655	17,655
Total revenue from contracts with customers	3,387,422	439,407	3,826,829
Geographical markets			
Korea	1,343,663	–	1,343,663
Mainland China	914,225	17,022	931,247
Taiwan	331,538	–	331,538
Hong Kong	254,420	60,834	315,254
Singapore	154,847	142,040	296,887
Others	388,729	219,511	608,240
Total revenue from contracts with customers	3,387,422	439,407	3,826,829
Timing of revenue recognition			
At a point in time	3,387,422	439,407	3,826,829

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:

	2021 HK$'000	2020 HK$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	**2,899**	6,507

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(ii) Performance obligations

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

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

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

	Note	2021 HK$'000	2020 HK$'000
Other income			
Fee income from sewage treatment		24,045	20,915
Fee income from freight handling services		13,658	6,984
Bank interest income		2,415	4,755
Subsidy income	7	5,644	52,635
COVID-19-related rent concessions from lessors		365	454
Others		5,567	9,568
		51,694	95,311
Gains			
Fair value gains:			
Financial asset at fair value through profit or loss - held for trading		168	12
Other income and gains		51,862	95,323

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2021 HK$'000	2020 HK$'000
Interest on bank loans and overdrafts	30,743	52,398
Interest on discounted bills	9	18
Interest on lease liabilities	1,855	1,901
Amortisation of bank charges on syndicated loans	12,041	5,571
	44,648	59,888

7. PROFIT/(LOSS) BEFORE TAX

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

	Notes	2021 HK$'000	2020 HK$'000
Cost of inventories sold and services provided		**3,830,494**	3,399,007
Auditor's remuneration		**4,048**	4,048
Research and development costs		**137,837**	123,144
Depreciation of items of property, plant and equipment	13	**296,971**	297,416
Depreciation of right-of-use assets	14(a)	**15,672**	16,725
Employee benefit expense (excluding directors' remuneration – note 8):			
Wages and salaries		**532,001**	498,692
Pension scheme contributions***		**55,084**	40,390
		587,085	539,082
Lease payments not included in the measurement of lease liabilities	14(c)	**2,779**	1,147
Gain on early termination of lease arrangements*		**(20)**	–
Loss/(gain) on disposal of items of property, plant and equipment, net*		**(617)**	1,417
Impairment/(write-back of impairment) of financial assets, net:			
Impairment/(write-back of impairment) allowance for accounts receivable, net	19	**(1,993)**	18,554
Write-back of impairment of other receivables		**–**	(116)
		(1,993)	18,438
Write-off of other receivables*		**–**	49
Provision/(write-back of provision) for inventories**		**(3,232)**	10,143
Write-off of aged liabilities*		**–**	(1,758)
Gain on deregistration of subsidiaries, net*	37(j)	**–**	(263)
Foreign exchange differences, net*		**27,381**	43,165
Subsidy income****		**(5,644)**	(52,635)

* 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.

*** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

**** During the year ended 31 December 2021, subsidy income mainly represented the amount received from governments under research and development schemes and employment schemes. There are no unfulfilled conditions or contingencies related to these grants.

During the year ended 31 December 2020, subsidy income mainly represented the amount received from governments under COVID-19 pandemic relief schemes. There are no unfulfilled conditions or contingencies related to these grants.

7. PROFIT/(LOSS) BEFORE TAX (continued)

The cost of inventories sold and services provided includes depreciation, staff costs and provision/(write-back of provision) for inventories of HK$733,628,000 (2020: HK$713,435,000), which are also included in the respective total amounts disclosed separately above.

The research and development costs include depreciation and staff costs of HK$62,673,000 for the year ended 31 December 2021 (2020: HK$48,816,000), which are also included in the respective total amounts disclosed separately above.

8. DIRECTORS' REMUNERATION

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

	2021 HK$'000	2020 HK$'000
Fees	720	720
Other emoluments:		
Salaries, allowances and benefits in kind	16,869	14,219
Discretionary bonuses	1,298	1,297
Pension scheme contributions	72	78
	18,239	15,594
	18,959	16,314

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
2021					
Executive directors:					
Tai Chin Chun	–	5,355	412	18	5,785
Tai Chin Wen	–	4,364	336	–	4,700
Cheung So Wan	–	2,600	200	18	2,818
Wong Siu Yuk	–	2,600	200	18	2,818
Lei Heong Man*	–	1,950	150	18	2,118
Independent non-executive directors:					
Ting Kay Loong	240	–	–	–	240
Ho Gilbert Chi Hang	240	–	–	–	240
Wu Tak Lung	240	–	–	–	240
Total	720	16,869	1,298	72	18,959
2020					
Executive directors:					
Tai Chin Chun	–	4,401	412	18	4,831
Tai Chin Wen	–	3,573	335	6	3,914
Cheung So Wan	–	2,140	200	18	2,358
Wong Siu Yuk	–	2,140	200	18	2,358
Lei Heong Man*	–	1,605	150	18	1,773
Non-executive director:					
Wong Wai Kong^	–	360	–	–	360
Independent non-executive directors:					
Ting Kay Loong	240	–	–	–	240
Ho Gilbert Chi Hang	240	–	–	–	240
Wu Tak Lung	240	–	–	–	240
Total	720	14,219	1,297	78	16,314

* Mr. Lei Heong Man was appointed as an executive director of the Company with effect from 1 January 2020.

^ Dr. Wong Wai Kong resigned as a non-executive director of the Company with effect from 31 December 2020.

Due to the adverse effects of COVID-19 during the year ended 31 December 2020, the executive directors had voluntarily agreed to effect a temporary reduction of their basic remuneration until the business of the Group recovered. During the year ended 31 December 2020, all the executive directors had agreed to a temporary reduction of their basic remuneration ranging from approximately 10% to 30% for 2 to 7 months. The basic remuneration of the executive directors was resumed to the original levels as set out in their service agreements in November 2020.

During the year, no emolument (2020: Nil) was paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included five (2020: five) directors, details of whose remuneration are set out in note 8 above.

10. INCOME TAX

	2021 HK$'000	2020 HK$'000
Current tax – Hong Kong		
Charge for the year	**6,336**	2,695
Underprovision/(overprovision) in prior years	**(181)**	5
Current tax – Elsewhere		
Charge for the year	**2,270**	131
Underprovision/(overprovision) in prior years	**(140)**	3,779
Deferred tax credit (note 26)	**(669)**	(71)
Total tax charge for the year	**7,616**	6,539

Hong Kong profits tax has been provided on the estimated assessable profits arising in Hong Kong at the rate of 16.5% (2020: 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 (2020: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (2020: 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 years ended 31 December 2021 and 31 December 2020, certain subsidiaries of the Group were entitled to a preferential tax rate of 15% under the status of High New Technology Enterprises.

During the year ended 31 December 2020, Macao complementary tax had not been provided by a Macau subsidiary of the Group as the subsidiary was exempted from Macao complementary tax and stamp duty levies pursuant to the Decree-Law No. 58/99/M of 18 October ("Macao Offshore Law"). On 18 December 2018, the Macao SAR Government passed the Decree-Law No. 15/2018 to repeal the Macao Offshore Law effective from 1 January 2021. All tax benefits for offshore companies were fully repealed, and all offshore business licences were terminated on 1 January 2021. The first Macau Pataca 600,000 (equivalent to approximately HK$583,000) (2020: Nil) of assessable profits of the Macau subsidiary are exempted from Macao complementary tax and the remaining assessable profits are subject to the statutory rate of 12%.

10. INCOME TAX (continued)

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 and an associate are domiciled to the tax expense/(credit) at the effective tax rates is as follows:

2021

	Hong Kong HK$'000	Macau HK$'000	The PRC, excluding Hong Kong and Macau HK$'000	Others HK$'000	Total HK$'000
Profit/(loss) before tax	30,177	17,828	11,386	(2,679)	56,712
Tax at the statutory tax rate	4,979	2,139	2,847	(540)	9,425
Lower tax rate enacted by local authority	(165)	(70)	(1,936)	–	(2,171)
Loss attributable to an associate	–	–	35	–	35
Adjustments in respect of current tax of prior years	(181)	–	(140)	–	(321)
Income not subject to tax	(604)	–	(725)	(146)	(1,475)
Expenses not deductible for tax	2,000	1	1,186	440	3,627
Tax losses not recognised	13	–	10,515	257	10,785
Others	(288)	69	(12,059)	(11)	(12,289)
Tax charge at the Group's effective rate	5,754	2,139	(277)	–	7,616

2020

	Hong Kong HK$'000	The PRC, excluding Hong Kong HK$'000	Others HK$'000	Total HK$'000
Profit/(loss) before tax	11,721	(38,587)	(2,187)	(29,053)
Tax at the statutory tax rate	1,934	(9,647)	(764)	(8,477)
Lower tax rate enacted by local authority	(165)	3,222	–	3,057
Loss attributable to an associate	–	375	–	375
Adjustments in respect of current tax of prior years	5	3,779	–	3,784
Income not subject to tax	(1,577)	(18)	(755)	(2,350)
Expenses not deductible for tax	2,056	5,354	362	7,772
Tax losses not recognised	121	4,842	1,136	6,099
Others	1	(3,743)	21	(3,721)
Tax charge at the Group's effective rate	2,375	4,164	–	6,539

11. DIVIDEND

The proposed final dividend for the year of HK1.3 cents (2020: Nil) per ordinary share, in aggregate of approximately HK$11,309,000 (2020: Nil), is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. These financial statements do not reflect the proposed final dividend payable.

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

The calculation of the basic earnings per share amount for the year ended 31 December 2021 is based on the profit for the year attributable to ordinary equity holders of the Company of HK$45,986,000 and 869,919,000 ordinary shares in issue during the year.

The calculation of the basic loss per share amount for the year ended 31 December 2020 was based on the loss for the year attributable to ordinary equity holders of the Company of HK$37,298,000 and 869,919,000 ordinary shares in issue during the year ended 31 December 2020.

The Company had no potentially dilutive ordinary shares during the years ended 31 December 2021 and 2020.

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 2021						
Cost:						
At 1 January 2021	592,504	4,459,470	133,902	46,737	54,658	5,287,271
Additions	–	23,558	3,135	1,149	88,884	116,726
Disposals	–	(10,503)	(66)	(544)	–	(11,113)
Transfers	–	83,145	474	–	(83,619)	–
Exchange realignment	13,473	108,548	2,553	796	1,467	126,837
At 31 December 2021	605,977	4,664,218	139,998	48,138	61,390	5,519,721
Accumulated depreciation:						
At 1 January 2021	316,346	3,243,123	112,176	40,272	–	3,711,917
Charge for the year	26,164	259,433	8,035	3,339	–	296,971
Disposals	–	(7,547)	(65)	(527)	–	(8,139)
Exchange realignment	8,232	83,319	2,291	726	–	94,568
At 31 December 2021	350,742	3,578,328	122,437	43,810	–	4,095,317
Net book value:						
At 31 December 2021	255,235	1,085,890	17,561	4,328	61,390	1,424,404

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 2020						
Cost:						
At 1 January 2020	558,536	4,164,999	123,006	45,710	48,476	4,940,727
Additions	8,860	15,166	5,196	484	89,769	119,475
Disposals	–	(4,231)	(24)	(944)	–	(5,199)
Transfers	–	85,469	1,047	–	(86,516)	–
Exchange realignment	25,108	198,067	4,677	1,487	2,929	232,268
At 31 December 2020	592,504	4,459,470	133,902	46,737	54,658	5,287,271
Accumulated depreciation:						
At 1 January 2020	276,399	2,840,710	99,554	35,591	–	3,252,254
Charge for the year	25,562	259,420	8,549	3,885	–	297,416
Disposals	–	(2,348)	(22)	(333)	–	(2,703)
Exchange realignment	14,385	145,341	4,095	1,129	–	164,950
At 31 December 2020	316,346	3,243,123	112,176	40,272	–	3,711,917
Net book value:						
At 31 December 2020	276,158	1,216,347	21,726	6,465	54,658	1,575,354

As at 31 December 2021, 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$3.8 million (2020: HK$4.4 million) and approximately HK$37.4 million (2020: HK$37.4 million) situated in Nansha and Enping, the PRC, respectively. The Company's directors confirmed that, based on the advice from the Company's legal counsel, as the Group has properly obtained the land use right certificates in respect of the land on which the aforementioned self-used properties are 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.

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

(a) Right-of-use assets

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

	Leasehold land HK$'000	Buildings HK$'000	Plant and machinery HK$'000	Motor vehicle HK$'000	Total HK$'000
As at 1 January 2020	240,841	7,376	531	729	249,477
Additions	2,508	56	122	–	2,686
Revision of a lease term arising from a change in the non-cancellable period of a lease	3,587	–	–	–	3,587
Depreciation charge	(13,322)	(2,716)	(533)	(154)	(16,725)
Exchange realignment	7,032	(13)	1	(8)	7,012
As at 31 December 2020 and 1 January 2021	240,646	4,703	121	567	246,037
Addition	2,218	–	–	–	2,218
Revision of lease terms arising from changes in the non-cancellable period of leases	–	1,692	–	–	1,692
Early termination of lease arrangements	–	(557)	–	–	(557)
Depreciation charge	(12,973)	(2,460)	(77)	(162)	(15,672)
Exchange realignment	3,671	(47)	1	–	3,625
As at 31 December 2021	233,562	3,331	45	405	237,343

14. LEASES (continued)

The Group as a lessee (continued)

(b) Lease liabilities

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

	2021 HK$'000	2020 HK$'000
Carrying amount at 1 January	42,010	43,731
New leases	–	2,686
Accretion of interest recognised during the year	1,855	1,901
COVID-19-related rent concessions from lessors	(365)	(454)
Payments	(7,914)	(10,757)
Revision of lease terms arising from changes in the non-cancellable period of leases	1,692	3,587
Early termination of lease arrangements	(577)	–
Exchange realignment	654	1,316
Carrying amount at 31 December	37,355	42,010
Analysed into:		
Current portion	7,446	8,031
Non-current portion	29,909	33,979

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

The Group has applied the practical expedient to all eligible rent concessions granted by the lessors for leases of certain leasehold land and buildings of the Group during the year.

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

	2021 HK$'000	2020 HK$'000
Interest on lease liabilities	1,855	1,901
Depreciation charge of right-of-use assets	15,672	16,725
COVID-19-related rent concessions from lessors	(365)	(454)
Gain on early termination of lease arrangements	(20)	–
Expenses relating to short-term leases		
– included in cost of sales	1,762	182
– included in administrative expenses	1,017	965
	2,779	1,147
Total amount recognised in profit or loss	19,921	19,319

14. LEASES (continued)

The Group as a lessee (continued)

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

The Group as a lessor

The Group leases certain of its property (note 13) under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rental adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was HK$311,000 (2020: HK$342,000).

As at 31 December 2021, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2021 HK$'000	2020 HK$'000
Within one year	127	96
After one year but within two years	74	33
After two years but within three years	74	33
After three years but within four years	66	33
After four years but within five years	25	14
After five years	137	157
	503	366

15. INTERESTS IN ASSOCIATES

	2021 HK$'000	2020 HK$'000
Share of net assets	3,686	3,739

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

As at 31 December 2021, the Group's accounts payable with an associate is disclosed in note 22 to the financial statements. As at 31 December 2020, the Group's accounts receivable with an associate was disclosed in note 19 to the financial statements.

15. INTERESTS IN ASSOCIATES (continued)

Particulars of the associates are as follows:

Name	Particulars of issued shares held/paid-up registered capital	Place of incorporation/ business	Percentage of ownership interest attributable to the Group		Principal activities
			2021	2020	
Kam Hing International Limited ("Kam Hing International")	Ordinary shares of United States dollar ("US$") 1 each	BVI	**25**	25	Investment holding
建新(中山)服飾有限公司 ("Json Zhongshan")	Renminbi ("RMB") 10,000,000	PRC/ Mainland China	**45**	45	Manufacture of garment products

As at 31 December 2021, the Group's shareholdings in Kam Hing International and Json Zhongshan were held through wholly-owned subsidiaries of the Company.

The Group has discontinued the recognition of its share of losses of Kam Hing International because the share of losses of the associate exceeded the Group's interest in the associate and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of losses of this associate for the current year and cumulatively were nil (2020: Nil) and HK$536,000 (2020: HK$536,000), respectively.

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

	2021 HK$'000	2020 HK$'000
Share of the associates' loss for the year	**(141)**	(1,501)
Share of the associates' other comprehensive income	**88**	322
Share of the associates' total comprehensive expenses	**(53)**	(1,179)
Carrying amount of the Group's interests in the associates	**3,686**	3,739

16. DEPOSITS PAID

	2021 HK$'000	2020 HK$'000
Deposits paid for:		
Acquisition of		
Property, plant and equipment	**2,209**	3,163
Right-of-use assets	**268**	2,479
Others	**2,557**	2,464
	5,034	8,106

17. PROPERTIES UNDER DEVELOPMENT

	2021 HK$'000	2020 HK$'000
At the beginning of the reporting period	**58,786**	56,114
Exchange realignment	**1,434**	2,672
At the end of the reporting period	**60,220**	58,786

18. INVENTORIES

	2021 HK$'000	2020 HK$'000
Raw materials	**792,809**	457,581
Work in progress	**394,624**	297,981
Finished goods	**330,321**	193,668
	1,517,754	949,230

19. ACCOUNTS AND BILLS RECEIVABLES

	2021 HK$'000	2020 HK$'000
Accounts receivable	**562,542**	529,478
Impairment	**(23,502)**	(26,391)
	539,040	503,087
Bills receivable	**324,622**	334,821
	863,662	837,908

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

As at 31 December 2020, included in the Group's accounts receivable was an amount due from an associate of the Group of HK$2,014,000, which was repayable on credit terms similar to those offered to the major customers of the Group.

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

	2021 HK$'000	2020 HK$'000
Within 1 month	**452,652**	400,168
1 to 2 months	**252,268**	242,608
2 to 3 months	**72,579**	80,453
Over 3 months	**86,163**	114,679
	863,662	837,908

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

	2021 HK$'000	2020 HK$'000
At 1 January	**26,391**	8,718
Impairment/(write-back of impairment) losses, net (note 7)	**(1,993)**	18,554
Write-off as uncollectible	**(1,405)**	(2,334)
Exchange realignment	**509**	1,453
At 31 December	**23,502**	26,391

19. 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 2021

		Past due			
	Current	**Less than 1 month**	**1 to 6 months**	**Over 6 months**	**Total**
Gross carrying amount of specific accounts receivable (HK$'000)	**4,312**	**575**	**822**	**16,890**	**22,599**
Expected credit loss rate	**100%**	**100%**	**100%**	**100%**	**100%**
Expected credit losses of specific accounts receivable (HK$'000)	**4,312**	**575**	**822**	**16,890**	**22,599**
Gross carrying amount excluding specific accounts receivable (HK$'000)	**422,741**	**106,293**	**10,277**	**632**	**539,943**
Expected credit loss rate	**0%**	**0%**	**8.0%**	**13.3%**	**0.2%**
Expected credit losses of amount excluding specific accounts receivable (HK$'000)	**–**	**–**	**819**	**84**	**903**
Total expected credit losses	**4,312**	**575**	**1,641**	**16,974**	**23,502**

As at 31 December 2020

		Past due			
	Current	Less than 1 month	1 to 6 months	Over 6 months	Total
Gross carrying amount of specific accounts receivable (HK$'000)	–	–	4,498	20,990	25,488
Expected credit loss rate	0%	0%	100%	100%	100%
Expected credit losses of specific accounts receivable (HK$'000)	–	–	4,498	20,990	25,488
Gross carrying amount excluding specific accounts receivable (HK$'000)	405,154	81,903	15,657	1,276	503,990
Expected credit loss rate	0%	0%	5.2%	6.6%	0.2%
Expected credit losses of amount excluding specific accounts receivable (HK$'000)	–	–	819	84	903
Total expected credit losses	–	–	5,317	21,074	26,391

20. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 HK$'000	2020 HK$'000
Listed equity investment, at fair value	315	147

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

21. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Note	2021 HK$'000	2020 HK$'000
Cash and bank balances		863,437	741,546
Time deposits		–	62,400
Pledged deposits		69,552	81,695
		932,989	885,641
Less: Pledged deposits for bills payable	22	(69,552)	(81,695)
Cash and cash equivalents		863,437	803,946

As at 31 December 2021, the cash and bank balances of the Group denominated in RMB amounted to approximately HK$110,480,000 (2020: HK$116,566,000). 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.

22. ACCOUNTS AND BILLS PAYABLES

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

	2021 HK$'000	2020 HK$'000
Within 3 months	744,107	648,392
3 to 6 months	94,895	152,568
Over 6 months	5,350	1,179
	844,352	802,139

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

As at 31 December 2021, bills payable of HK$181,362,000 (2020: HK$250,197,000) were included in the above accounts and were secured by the Group's pledged bank deposits of HK$69,552,000 (2020: HK$81,695,000) (note 21).

22. ACCOUNTS AND BILLS PAYABLES (continued)

As at 31 December 2021, included in the Group's accounts payable is an amount due to an associate of the Group of HK$694,000, which is repayable within two months, which represents credit terms similar to those offered by the associate to its major customers.

23. ACCRUED LIABILITIES AND OTHER PAYABLES

Included in accrued liabilities and other payables were contract liabilities of HK$55,566,000 as at 31 December 2021, HK$2,899,000 as at 31 December 2020 and HK$6,507,000 as at 1 January 2020, respectively.

Contract liabilities include short-term deposits received to deliver knitted fabric, dyed yarns and garment products and to provide related subcontracting services. The increase in contract liabilities in 2021 was mainly due to the increase in deposits received from customers in relation to the sale of garment products. The decrease in contract liabilities in 2020 was mainly because the Group performed its obligation under respective contracts during the year.

24. INTEREST-BEARING BANK BORROWINGS

	2021			2020		
	Effective interest rate (%)	**Maturity**	**HK$'000**	Effective interest rate (%)	Maturity	HK$'000
Current (Note)						
Bank loans – unsecured	**HIBOR/LIBOR/ Cost of fund +0.85 to 1.95**	**2022**	**528,906**	HIBOR/LIBOR/ Cost of fund +0.85 to 1.95	2021 or on demand	575,670
Non-current						
Bank loans – unsecured	**HIBOR + 1.95**	**2023-2025**	**1,286,116**	HIBOR + 1.95	2022-2023	968,575
			1,815,022			1,544,245

24. INTEREST-BEARING BANK BORROWINGS (continued)

	2021 HK$'000	2020 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand (Note)	528,906	575,670
In the second year	319,428	644,429
In the third to fifth years, inclusive	966,688	324,146
	1,815,022	1,544,245

Note: As at 31 December 2020, for the purpose of the above analysis, the Group's bank loans in the amount of HK$60,000,000 containing a repayment on demand clause were included within current interest-bearing bank borrowings and analysed into bank loans within one year or on demand.

As at 31 December 2020, based on the maturity terms of the bank loans, the amounts repayable in respect of the bank loans were: HK$515,670,000 repayable within one year; HK$704,429,000 repayable in the second year; and HK$324,146,000 repayable in the third to fifth years, inclusive.

As at 31 December 2021 and 2020, 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.

25. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, non-current deposits paid of HK$3,163,000 (2020: HK$12,510,000) and HK$2,218,000 (2020: Nil) were transferred to property, plant and equipment and right-of-use assets, respectively.

During the year ended 31 December 2020, the Group had non-cash additions to right-of-use assets and lease liabilities of HK$2,686,000 and HK$2,686,000, respectively.

During the year, the Group had non-cash revisions on right-of-use assets and lease liabilities of HK$1,692,000 (2020: HK$3,587,000) and HK$1,692,000 (2020: HK$3,587,000), respectively, in relation to existing leases.

During the year ended 31 December 2020, dividend payable to non-controlling shareholders of HK$1,386,000 was included in accrued liabilities and other payables as at 31 December 2020.

25. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Changes in liabilities arising from financing activities

	Bank loans HK$'000	Lease liabilities HK$'000
At 1 January 2020	1,911,315	43,731
Changes from financing cash flows	(369,687)	(6,807)
Changes from investing cash flows	–	(2,049)
New leases	–	2,686
Interest expense	57,987	1,901
Interest paid classified as operating cash flows	(52,416)	(1,901)
COVID-19-related rent concessions from lessors	–	(454)
Revision of a lease term	–	3,587
Exchange realignment	(2,954)	1,316
At 31 December 2020 and 1 January 2021	1,544,245	42,010
Changes from financing cash flows	258,736	(6,059)
Interest expense	42,793	1,855
Interest paid classified as operating cash flows	(30,752)	(1,855)
COVID-19-related rent concessions from lessors	–	(365)
Revision of lease terms	–	1,692
Early termination of lease arrangements	–	(577)
Exchange realignment	–	654
At 31 December 2021	1,815,022	37,355

(c) Total cash outflow for leases

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

	2021 HK$'000	2020 HK$'000
Within operating activities	1,855	1,901
Within investing activities	–	2,049
Within financing activities	6,059	6,807
	7,914	10,757

26. DEFERRED TAX

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

Deferred tax assets

	Deductible temporary difference 2021 HK$'000	Deductible temporary difference 2020 HK$'000
At 1 January	**28,471**	27,830
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	**198**	(643)
Exchange realignment	**678**	1,284
At 31 December	**29,347**	28,471

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation		Fair value adjustments arising from acquisition of a subsidiary		Total	
	2021 HK$'000	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000
At 1 January	**76**	401	**5,626**	5,751	**5,702**	6,152
Deferred tax credited to the statement of profit or loss during the year (note 10)	**(76)**	(325)	**(395)**	(389)	**(471)**	(714)
Exchange realignment	**–**	–	**127**	264	**127**	264
At 31 December	**–**	76	**5,358**	5,626	**5,358**	5,702

26. DEFERRED TAX (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 2021, 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$361 million at 31 December 2021 (2020: HK$332 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$154,679,000 (2020: HK$91,571,000) 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$51,055,000 (2020: HK$45,036,000) and HK$91,707,000 (2020: HK$28,282,000) that will expire within five years and ten years, respectively, from the date the losses arose. Other losses can be carried forward indefinitely.

27. SHARE CAPITAL

	2021 HK$'000	2020 HK$'000
Authorised:		
2,000,000,000 (2020: 2,000,000,000) ordinary shares of HK$0.1 each	200,000	200,000
Issued and fully paid:		
869,919,000 (2020: 869,919,000) ordinary shares of HK$0.1 each	86,992	86,992

Share options

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

28. SHARE OPTION SCHEME

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

The maximum number of shares which may be allotted and issued upon the exercise of the share options to be granted under the Scheme is 86,991,900 shares, representing 10% of the share capital of the Company as at the date of adoption of the scheme mandate limit and as at 31 December 2021. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director 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.

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 (2020: Nil).

29. RESERVES

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

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

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

30. COMMITMENTS

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

	2021 HK$'000	2020 HK$'000
Contracted but not provided for:		
Purchases of machinery	12,479	4,546
Construction in progress	27,515	26,674
Construction of new manufacturing facilities	197,696	192,989
Construction of properties under development	9,154	9,530
	246,844	233,739

The Group had outstanding commitments amounting to HK$333,240,000 (2020: HK$363,372,000) as at the end of the reporting period in respect of the investments in subsidiaries.

At 31 December 2021, the Group had outstanding irrevocable letters of credit amounting to HK$235,974,000 (2020: HK$396,899,000).

(b) The Group has a lease contract that has not yet commenced as at 31 December 2021 and 2020. The future lease payment for the non-cancellable lease contract was HK$585,000 (2020: HK$571,000).

31. RELATED PARTY TRANSACTIONS

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

	Notes	2021 HK$'000	2020 HK$'000
Rental expenses on staff quarters paid to Tai Chin Chun and Tai Chin Wen	(i)	**492**	468
Rental expenses on car park spaces paid to Cheung So Wan and Wong Siu Yuk	(ii)	**336**	336
Rental expenses on staff quarters paid to Cheung So Wan and Wong Siu Yuk	(iii)	**183**	-
Rental expenses on staff quarters paid to Tai Tang Tat	(iv)	**71**	-
Associate:			
Sales of products to an associate	(v)	**5,420**	1,741
Subcontracting fee charged from an associate	(vi)	**44,812**	2,399

The Group leased properties from 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$23,800 (2020: HK$22,500) from 1 June 2019 for terms of two years, based on the terms mutually agreed by both parties. Right-of-use assets of nil (2020: HK$113,000) and lease liabilities of nil (2020: HK$118,000) in respect of these leases were recognised in consolidated statement of financial position as at 31 December 2021. During the year ended 31 December 2021, depreciation of right-of-use assets of HK$113,000 (2020: HK$257,000) and interest expense on lease liabilities of HK$1,000 (2020: HK$12,000) were charged to the consolidated statement of profit or loss. The lease terms of the tenancy agreements of the staff quarters were extended for one year.

The Group leased properties from 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$10,100 (2020: HK$9,600) from 1 June 2019 to 31 May 2021, based on the terms mutually agreed by both parties. Right-of-use assets of nil (2020: HK$48,000) and lease liabilities of nil (2020: HK$50,000) in respect of these leases were recognised in consolidated statement of financial position as at 31 December 2021. During the year ended 31 December 2021, depreciation of right-of-use assets of HK$48,000 (2020: HK$109,000) and interest expense on lease liabilities of HK$1,000 (2020: HK$5,000) were charged to the consolidated statement of profit or loss. The lease terms of the tenancy agreements of the staff quarters were extended for one year.

31. RELATED PARTY TRANSACTIONS (continued)

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

Notes:

(i) The Group entered into tenancy agreements with Mr. Tai Chin Chun and Mr. Tai Chin Wen, directors of the Company, for the rental of staff quarters at a monthly rental of HK$39,000 from 1 September 2019 to 31 August 2020 and from 1 September 2020 to 31 August 2021 and renewed the tenancy agreements at a monthly rental of HK$45,000 from 1 September 2021 to 31 August 2022 based on the terms mutually agreed by both parties.

(ii) The Group entered into tenancy agreements with Ms. Cheung So Wan and Ms. Wong Siu Yuk, directors of the Company, for the rental of car park spaces at monthly rentals of HK$20,000 (2020: HK$20,000) and HK$8,000 (2020: HK$8,000) from 1 June 2020 and 1 July 2020, respectively, for terms of one year, based on the terms mutually agreed by both parties. During the year ended 31 December 2021, the lease terms of the tenancy agreements of the car park spaces were extended for one year.

(iii) The Group entered into tenancy agreements with Ms. Cheung So Wan and Ms. Wong Siu Yuk, directors of the Company, for the rental of staff quarters at monthly rentals of approximately HK$26,200 from 1 June 2021 to 31 May 2022 based on the terms mutually agreed by both parties.

(iv) The Group entered into tenancy agreements with Mr. Tai Tang Tat, a son of Mr. Tai Chin Wen and Ms. Wong Siu Yuk, for the rental of staff quarters at monthly rentals of approximately HK$10,100 from 1 June 2021 to 31 May 2022 based on the terms mutually agreed by both parties.

(v) The sales to the associate were made according to the published prices and conditions offered to the major customers of the Group.

(vi) The subcontracting fee charged from the associate was made according to the published prices and conditions offered by the associate to its major customers.

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

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

(c) Outstanding balance with a related party:

As at 31 December 2021, details of the Group's trade balance with its associate as at the end of the reporting period are disclosed in note 22 to the financial statements.

As at 31 December 2020, details of the Group's trade balance with its associate as at the end of the reporting period were disclosed in note 19 to the financial statements.

31. RELATED PARTY TRANSACTIONS (continued)

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

	2021 HK$'000	2020 HK$'000
Short-term employee benefits	**28,328**	24,748
Post-employment benefits	**357**	336
	28,685	25,084

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

32. FINANCIAL INSTRUMENTS BY CATEGORY

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

2021

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	**–**	**863,662**	**863,662**
Financial assets included in prepayments, deposits and other receivables	**–**	**75,372**	**75,372**
Financial asset at fair value through profit or loss	**315**	**–**	**315**
Pledged deposits	**–**	**69,552**	**69,552**
Cash and cash equivalents	**–**	**863,437**	**863,437**
	315	**1,872,023**	**1,872,338**

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Accounts and bills payables	**844,352**
Financial liabilities included in accrued liabilities and other payables	**64,470**
Due to an associate	**947**
Interest-bearing bank borrowings	**1,815,022**
Lease liabilities	**37,355**
	2,762,146

32. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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

2020

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	–	837,908	837,908
Financial assets included in prepayments, deposits and other receivables	–	59,610	59,610
Financial asset at fair value through profit or loss	147	–	147
Pledged deposits	–	81,695	81,695
Cash and cash equivalents	–	803,946	803,946
	147	1,783,159	1,783,306

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Accounts and bills payables	802,139
Financial liabilities included in accrued liabilities and other payables	49,858
Due to an associate	947
Interest-bearing bank borrowings	1,544,245
Lease liabilities	42,010
	2,439,199

33. TRANSFERS OF FINANCIAL ASSETS

Transferred financial assets that are not derecognised in their entirety

At 31 December 2021, the Group endorsed certain bank bills receivable and commercial bills receivable in the PRC (the "Endorsed Bills") with a carrying amount of RMB9,275,000 (equivalent to HK$11,311,000) (2020: RMB21,081,000 (equivalent to HK$25,096,000)) 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 RMB9,275,000 (equivalent to HK$11,311,000) (2020: RMB21,081,000 (equivalent to HK$25,096,000)) as at 31 December 2021.

Transferred financial assets that are derecognised in their entirety

At 31 December 2021, 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 RMB53,009,000 (equivalent to HK$64,646,000) (2020: RMB44,550,000 (equivalent to HK$53,035,000)). The Derecognised Bills have a remaining maturity from one to six months (2020: one to six months) at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills may exercise the right of recourse against any, several or all of the persons liable for the Derecognised Bills, including the Group, in disregard of the order of precedence (the "Continuing Involvement"). In the opinion of the directors of the Company, the risk of the Group being claimed by the holders of the Derecognised Bills is remote in the absence of a default of the accepted banks. The Group has transferred substantially all risks and rewards related to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated accounts payable or other payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors of the Company, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the years ended 31 December 2021 and 31 December 2020, 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 2021 and 31 December 2020.

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

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.

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

Asset measured at fair value:

	Fair value measurement using quoted prices in active markets (Level 1) HK$'000
As at 31 December 2021	
Financial asset at fair value through profit or loss	**315**
As at 31 December 2020	
Financial asset at fair value through profit or loss	147

As at 31 December 2021, the Group had no financial instrument measured at fair value under Level 3 (2020: 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 (2020: Nil).

35. 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.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

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

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

	Increase in interest rate %	Decrease in the Group's profit before tax HK$'000
2021	**1**	**18,150**

	Increase in interest rate %	Increase in the Group's loss before tax HK$'000
2020	1	15,442

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/(loss) 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
2021		
If Hong Kong dollar weakens against RMB	**3**	**(9,429)**
If Hong Kong dollar strengthens against RMB	**(3)**	**9,429**

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

	Increase/ (decrease) in RMB rate %	Decrease/ (increase) in the Group's loss before tax HK$'000
2020		
If Hong Kong dollar weakens against RMB	3	(15,839)
If Hong Kong dollar strengthens against RMB	(3)	15,839

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 2021

	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*	–	–	–	562,542	562,542
Bills receivable - Normal**	324,622	–	–	–	324,622
Financial assets included in prepayments, deposits and other receivables					
– Normal**	75,372	–	–	–	75,372
Pledged deposits					
– Not yet past due	69,552	–	–	–	69,552
Cash and cash equivalents					
– Not yet past due	863,437	–	–	–	863,437
	1,332,983	–	–	562,542	1,895,525

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

As at 31 December 2020

	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*	–	–	–	529,478	529,478
Bills receivable - Normal**	334,821	–	–	–	334,821
Financial assets included in prepayments, deposits and other receivables					
– Normal**	59,610	–	–	–	59,610
– Doubtful**	–	–	2	–	2
Pledged deposits					
– Not yet past due	81,695	–	–	–	81,695
Cash and cash equivalents					
– Not yet past due	803,946	–	–	–	803,946
	1,280,072	–	2	529,478	1,809,552

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

** The credit quality of the 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".

35. 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:

	2021			
	Less than 12 months HK$'000	**1 to 5 years HK$'000**	**Over 5 years HK$'000**	**Total HK$'000**
Accounts and bills payables	**844,352**	**–**	**–**	**844,352**
Financial liabilities included in accrued liabilities and other payables	**64,470**	**–**	**–**	**64,470**
Due to an associate	**947**	**–**	**–**	**947**
Interest-bearing bank borrowings	**534,477**	**325,000**	**975,000**	**1,834,477**
Lease liabilities	**9,063**	**25,058**	**9,602**	**43,723**
	1,453,309	**350,058**	**984,602**	**2,787,969**

	2020			
	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	802,139	–	–	802,139
Financial liabilities included in accrued liabilities and other payables	49,858	–	–	49,858
Due to an associate	947	–	–	947
Interest-bearing bank borrowings*	534,477	975,000	–	1,834,477
Lease liabilities	9,893	28,240	13,728	51,861
	1,453,309	1,003,240	13,728	2,787,969

* As at 31 December 2020, included in interest-bearing bank borrowings were bank loans of HK$60,000,000 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 2020 were HK$521,241,000 in 2021, HK$710,000,000 in 2022, and HK$325,000,000 in 2023.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate benchmark reform

As at 31 December 2021, the Group had certain interest-bearing bank borrowings denominated in United States dollars. The interest rates of these instruments are based on the LIBOR with a tenor of six months or twelve months, which will cease to be published after 30 June 2023. Replacement of the benchmark rates of these instruments from LIBOR to an RFR has yet to commence but it is expected that there will be renegotiations of terms in the future. During the transition, the Group is exposed to the following risks:

- Parties to the contract may not reach agreement in a timely manner as any changes to the contractual terms require the agreement of all parties to the contract

- Additional time may be needed for the parties to the contract to reach agreement as they may renegotiate terms which are not part of the interest rate benchmark reform (e.g., changing the credit spread of the bank borrowings due to changes in credit risk of the Group)

- The existing fallback clause included in the instruments may not be adequate to facilitate a transition to a suitable RFR

The Group will continue to monitor the development of the reform and take proactive measures for a smooth transition.

The information about financial instruments based on an interbank offered rate that has yet to transition to an alternative benchmark rate is as follows:

As at 31 December 2021

	Non - derivatives financial liabilities - carrying amount HK$'000
Interest-bearing bank borrowings	
– United States dollar LIBOR	179,477

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 31 December 2020.

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 2021 HK$'000	31 December 2020 HK$'000
Interest-bearing bank borrowings (note 24)	**1,815,022**	1,544,245
Accounts and bills payables	**844,352**	802,139
Accrued liabilities and other payables	**268,582**	220,499
Due to an associate	**947**	947
Lease liabilities	**37,355**	42,010
Less: Cash and cash equivalents	**(863,437)**	(803,946)
Net debt	**2,102,821**	1,805,894
Equity attributable to ordinary equity holders of the Company and total capital	**2,208,663**	2,084,312
Capital and net debt	**4,311,484**	3,890,206
Gearing ratio	**48.8%**	46.4%

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2021 HK$'000	2020 HK$'000
NON-CURRENT ASSETS		
Interest in a subsidiary	**402,207**	402,207
CURRENT ASSETS		
Prepayments	**79**	78
Due from a subsidiary	**743,870**	744,899
Cash and cash equivalents	**1,752**	1,865
Total current assets	**745,701**	746,842
CURRENT LIABILITIES		
Accrued liabilities and other payables	**73**	73
NET CURRENT ASSETS	**745,628**	746,769
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,147,835**	1,148,976
Net assets	**1,147,835**	1,148,976
EQUITY		
Issued capital	**86,992**	86,992
Reserves (Note)	**1,060,843**	1,061,984
Total equity	**1,147,835**	1,148,976

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 2020	446,105	402,007	228,058	1,076,170
Final 2019 dividend declared and paid	–	–	(13,049)	(13,049)
Loss and total comprehensive expenses for the year	–	–	(1,137)	(1,137)
At 31 December 2020 and 1 January 2021	446,105	402,007	213,872	1,061,984
Loss and total comprehensive expenses for the year	–	–	(1,141)	(1,141)
At 31 December 2021	446,105	402,007	212,731	1,060,843

36. 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.

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES

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

Name	Place of incorporation/ registration and operations	Issued ordinary share/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			2021	2020	
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$91,878,000 (Note (b))	100	100	Manufacture and trading of knitted and dyed fabrics
Guangzhou Kamhing Textile Dyeing Co., Ltd. ("Guangzhou KH")	PRC/ Mainland China	US$166,371,000 (Note (c))	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	Macau Pataca 100,000	100	100	Sourcing agent and trading of yarns and dyeing materials

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

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

Name	Place of incorporation/ registration and operations	Issued ordinary share/ paid-up capital	Percentage of equity attributable to the Company 2021	2020	Principal activities
Indirectly held: (continued)					
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$16,700,000 (2020: US$16,100,000 (Note (d))	**100**	100	Property holding and provision of corporate management, sales planning and consultancy services
Lunar Dragon Holdings Limited	Hong Kong	HK$1	**100**	100	Property holding
Sewage Treatment Company	PRC/ Mainland China	RMB200,000	**100**	100	Provision of sewage treatment service
Jade Sun Garment (Cambodia) Co., Ltd. ("Jade Sun")	Kingdom of Cambodia	US$5,000,000 (2020: US$3,000,000 (Note (e))	**80**	80	Manufacture and trading of garment products
JH Garment (Cambodia) Co., Ltd. ("JH Garment")	Kingdom of Cambodia	US$4,500,000 (2020: US$1,500,000 (Note (f))	**80**	80	Manufacture and trading of garment products

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

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

Name	Place of incorporation/ registration and operations	Issued ordinary share/ paid-up capital	Percentage of equity attributable to the Company 2021	Percentage of equity attributable to the Company 2020	Principal activities
Indirectly held: (continued)					
J-Star Garment (Cambodia) Co., Ltd. ("J-Star Garment")	Kingdom of Cambodia	US$1,500,000 (Note (g))	80	80	Manufacture and trading of garment products
廣東錦恒置業有限公司 ("Kam Hang")	PRC/ Mainland China	RMB96,434,000 (Note (h))	100	100	Property development
Great Market Global Viet Nam Co., Ltd.	Vietnam	US$5,440,000	100	100	Manufacture and trading of garment products
建新(廣東)服飾有限公司 ("Json Guangdong")	PRC/ Mainland China	RMB30,000,000 (2020: RMB8,500,000 (Note (i))	100	100	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$101,000,000 (2020: US$101,000,000), of which US$91,878,000 (2020: US$91,878,000) was paid up as at 31 December 2021. The remaining unpaid capital contribution of US$9,122,000 (2020: US$9,122,000) (equivalent to approximately HK$71,148,000 (2020: HK$71,148,000)) was included in commitments at 31 December 2021 as disclosed in note 30 to the financial statements.

(c) Guangzhou KH is registered as a wholly-foreign-owned enterprise under the PRC law with an operating period of 25 years commencing from 26 March 1992 and extended to 16 March 2027. The registered capital of Guangzhou KH amounted to US$192,610,000 (2020: US$192,610,000), of which US$166,371,000 (2020: US$166,371,000) was paid up as at 31 December 2021. The remaining unpaid capital contribution of US$26,239,000 (2020: US$26,239,000) (equivalent to approximately HK$204,664,000 (2020: HK$204,664,000)) was included in commitments at 31 December 2021 as disclosed in note 30 to the financial statements.

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

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

Notes: (continued)

(d) KH China is registered as a wholly-foreign-owned enterprise under the PRC law with an operating period of 20 years commencing from 9 October 2013. The registered capital of KH China amounted to US$22,000,000 (2020: US$22,000,000), of which US$16,695,000 (2020: US$16,100,000) was paid up as at 31 December 2021. The remaining unpaid capital contribution of US$5,305,000 (2020: US$5,900,000) (equivalent to approximately HK$41,379,000 (2020: HK$46,020,000)) was included in commitments at 31 December 2021 as disclosed in note 30 to the financial statements.

(e) Jade Sun is principally engaged in the manufacture and trading of garment products. The registered capital of Jade Sun increased from US$3,000,000 to US$5,000,000 during the year ended 31 December 2021, which was fully paid up as at 31 December 2021.

(f) JH Garment is principally engaged in the manufacture and trading of garment products. The registered capital of JH Garment increased from US$1,500,000 to US$4,500,000 during the year ended 31 December 2021, which was fully paid up as at 31 December 2021.

(g) During the year ended 31 December 2020, the Group established J-Star Garment in the Kingdom of Cambodia. J-Star Garment is principally engaged in the manufacture and trading of garment products. The registered capital of J-Star Garment amounted to US$1,500,000 (2020: US$1,500,000), of which nil (2020: Nil) was paid up as at 31 December 2021. The unpaid capital contribution of US$1,500,000 (2020: US$1,500,000) (equivalent to approximately HK$11,700,000 (2020: HK$11,700,000)) was included in commitments at 31 December 2021 as disclosed in note 30 to the financial statements.

(h) Kam Hang is principally engaged in property development. Kam Hang is registered as a wholly-foreign-owned enterprise under the PRC law with an operating period of 20 years commencing from 24 January 2018. The registered capital of Kam Hang amounted to RMB100,000,000 (2020: RMB100,000,000), of which RMB96,434,000 (2020: RMB96,434,000) was paid up as at 31 December 2021. The remaining unpaid capital contribution of RMB3,566,000 (2020: RMB3,566,000) (equivalent to approximately HK$4,349,000 (2020: HK$4,245,000)) was included in commitments at 31 December 2021 as disclosed in note 30 to the financial statements.

(i) During the year ended 31 December 2020, the Group established Json Guangdong in Mainland China. Json Guangdong is principally engaged in the trading of garment products. Json Guangdong is registered as a wholly-foreign-owned enterprise under the PRC law on 20 August 2020. The registered capital of Json Guangdong amounted to RMB30,000,000 (2020: RMB30,000,000), of which RMB30,000,000 (2020: RMB8,500,000) was paid up as at 31 December 2021. As at 31 December 2020, the unpaid capital contribution of RMB21,500,000 (equivalent to approximately HK$25,595,000 was included in commitments as disclosed in note 30 to the financial statements.

(j) During the year ended 31 December 2020, the Group deregistered certain dormant subsidiaries. HK$46,000 of exchange fluctuation reserve was released and HK$217,000 of non-controlling interests was derecognised from the deregistration of the subsidiaries and the resulting gain on deregistration of subsidiaries of HK$263,000 was recognised in the consolidated statement of profit or loss during the year ended 31 December 2020.

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

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2022.

FIVE-YEAR FINANCIAL SUMMARY

31 December 2021

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				
	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000
REVENUE	**4,389,437**	3,826,829	4,350,664	4,650,958	4,192,896
Profit/(loss) before tax	**56,712**	(29,053)	72,189	87,098	86,161
Income tax expense	**(7,616)**	(6,539)	(11,941)	(16,804)	(23,247)
Profit/(loss) for the year	**49,096**	(35,592)	60,248	70,294	62,914
Attributable to:					
Ordinary equity holders of the Company	**45,986**	(37,298)	60,091	72,826	64,575
Non-controlling interests	**3,110**	1,706	157	(2,532)	(1,661)
	49,096	(35,592)	60,248	70,294	62,914

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000
TOTAL ASSETS	**5,193,230**	4,703,380	4,827,214	4,968,597	4,736,341
TOTAL LIABILITIES	**(2,982,309)**	(2,619,920)	(2,837,406)	(3,029,741)	(2,684,451)
NON-CONTROLLING INTERESTS	**(2,258)**	852	955	2,627	(1,732)
	2,208,663	2,084,312	1,990,763	1,941,483	2,050,158