



INTERIM REPORT 2013



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

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Tai Chin Chun (*Chairman*)
Mr. Tai Chin Wen (*Chief Executive Officer*)
Ms. Cheung So Wan
Ms. Wong Siu Yuk
Mr. Chong Chau Lam
Mr. Wong Wai Kong, Elmen

Independent Non-Executive Directors

Mr. Chan Yuk Tong, Jimmy
Ms. Chu Hak Ha, Mimi
Mr. Ho Gilbert Chi Hang

Audit Committee

Mr. Chan Yuk Tong, Jimmy (*Chairman*)
Ms. Chu Hak Ha, Mimi
Mr. Ho Gilbert Chi Hang

Remuneration Committee

Ms. Chu Hak Ha, Mimi (*Chairman*)
Mr. Chan Yuk Tong, Jimmy
Mr. Ho Gilbert Chi Hang

Nomination Committee

Mr. Ho Gilbert Chi Hang (*Chairman*)
Mr. Chan Yuk Tong, Jimmy
Ms. Chu Hak Ha, Mimi

Company Secretary

Mr. Lei Heong Man, Ben

Auditors

Ernst & Young
Certified Public Accountants

Company Website

www.kamhingintl.com

Registered Office

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

Head Office and Principal Place of Business in Hong Kong

Units 1-9, 8th Floor
Lucida Industrial Building
43-47 Wang Lung Street
Tsuen Wan
New Territories
Hong Kong

Principal Share Registrar and Transfer Office in Cayman Islands

HSBC Trustee (Cayman) Limited
P. O. Box 484
HSBC House
68 West Bay Road
Grand Cayman KY1-1106
Cayman Islands

Branch Share Registrar and Transfer Office in Hong Kong

Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Stock Code

The Stock Exchange of
Hong Kong Limited: 02307
CUSIP Reference Number: G5213T101

MANAGEMENT DISCUSSION AND ANALYSIS

The Board of Directors (the “Board”) of Kam Hing International Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2013 (the “Period”). The interim financial information is not audited but has been reviewed by the Audit Committee of the Company.

Business Review

The operating environment of the textile and garment industry has showed signs of improvement during the first half of 2013. This is in tune with the latest China Customs statistics, indicating that China’s aggregate textile and garment export value from January to June 2013 was approximately US\$127.2 billion, representing a growth of 12.1% (January to June 2012: 1.6%). The recovering economic conditions in the United States is also of note, with the country’s unemployment rate being stable at 7.6% in June 2013, one of its lowest rates in four years. Following a prolonged period of market consolidation, the restructured global textile and garment market is now abundant with opportunities for those that have prevailed. The Group is confident that our positioning as an integrated textile and garment manufacturer with an expanded production scale will further benefit from the uptrend and reap considerable gains in market share in the long term.

For the Period, the Group’s overall revenue increased by approximately 1.4% to HK\$2,057.4 million (six months ended 30 June 2012: HK\$2,028.6 million). Gross profit decreased by approximately 1.9% to HK\$354.5 million (six months ended 30 June 2012: HK\$361.2 million), whilst net profit attributable to ordinary equity holders of the Company amounted to HK\$72.6 million, representing a marginal increase of approximately 4.0% from the previous corresponding period (six months ended 30 June 2012: HK\$69.8 million). The growth was mainly attributable to contributions from the textile segment, which recorded a period to period revenue increase of 5.6% during the Period and in line with the market trend. This, however, was partially offset by the substantial 53.1% decline in revenue from our garment segment as a result of the uncertainties brought forth by the recent government election in Madagascar, which has languished orders from overseas buyers during the Period. The uncertainty is expected to last for the second half of 2013. In view of this, the Group will strive to improve and maintain the order book of its textile division through well-executed sales and marketing tactics in the coming year to compensate the negative impact on our garment business. The Group will also actively monitor and assess the surrounding market conditions and adopt appropriate risk management strategies when necessary.

The Group's regional sales for the Period achieved a satisfactory performance, with Bangladesh, Korea and Taiwan recording growth rates of 93.7%, 21.4% and 17.9% respectively, as compared with the previous corresponding period. Following the successful business venture into Russia and Bangladesh in 2012, the Group is now geared to explore other new high-growth markets, such as Japan, in the coming year to further broaden our geographic exposure and source of revenue.

To streamline our production processes and to elevate our internal efficiency, the Group continued to invest substantially in machinery upgrades and automation during the Period. Other cost control mechanisms, such as energy and water conservations schemes were also strictly enforced. These initiatives were instrumental in maintaining our gross profit margin at 17.2% (six months ended 30 June 2012: 17.8%). Net profit margin for the Period was stabilised at 4.0% (six months ended 30 June 2012: 3.8%).

Key Developments

To diversify our product mix in the long run, the research and development of higher end functional fabrics continued to be our mission and mandate for the Period. The Group's newly established fabric printing facility with enhancements for the development of synthetic fiber in Enping, the People's Republic of China (the "PRC") has completed its trial test in June 2013 and commenced mass production in July 2013. With sufficient orders on hand, particularly from Japan where functional fabrics are in high demand, revenue contribution from this new business is expected to be reflected in the latter half of 2013. The enhanced production capability will also bring substantial synergy to our traditional textile manufacturing business, in particular, elevating our competitiveness amongst peers as an one-stop textile manufacturer for large and reputable clients.

On 1 April 2013, the Group acquired a further 8% equity interest in its non-wholly owned subsidiary, Kam Wing International Textile Company Limited, at a cash consideration of HK\$20,000,000 to further consolidate its control.

On 6 August 2013, the Group obtained a syndicated loan facility of HK\$1,000.0 million for a term of 3.5 years at an interest rate of HIBOR plus 2.5% per annum. The loan was mainly used for refinancing previous syndicated loan of HK\$690.0 million and to fund the expansion of facilities in the Group's existing production complex in Enping, the PRC.

Prospects

The industry has indicated signs of recovery in recent months. Nevertheless, the Board remains cautiously optimistic on the market outlook and believes that the remainder of 2013 will continue to be full of challenges. Nonetheless, the Group believes that our fundamentals have further strengthened through the difficult times and have achieved greater business scale in the past years. Striving to maintain our business stability whilst preparing for future growth, internal optimisation will continue to be the top management priority for the remaining period of 2013. The Board will ensure that adequate cost control measures and stringent inventory management will be enforced throughout the Group so as to ensure a healthy financial position for future development.

The Group also remains committed to elevating its capability as an one-stop fabric solutions provider. Given our vigorous yet crucial expansion initiatives in the past year are in place, we are confident that our vertically enhanced production capability and strong reputation in timely delivery of quality products will help us embrace any value-enhancing opportunities that may arise in the near future, thereby reap better performance and returns for our shareholders.

Financial Review

The Group's overall revenue for the Period increased by 1.4% to approximately HK\$2,057.4 million (six months ended 30 June 2012: HK\$2,028.6 million). The modest growth in revenue was mainly attributable to increases in sales from our core textile division, which increased 5.6% to HK\$1,990.2 million from HK\$1,885.3 million in the previous corresponding period.

Gross profit for the Period decreased by 1.9% to approximately HK\$354.5 million, (six months ended 30 June 2012: HK\$361.2 million). Gross profit margin decreased to 17.2% from 17.8% in the same period last year. The margin decrease was mainly due to the reduction in sales order for the garment factory in Madagascar because of the local government election during the Period.

Net profit attributable to equity holders of the Company for the Period increased by 4.0% to approximately HK\$72.6 million (six months ended 30 June 2012: HK\$69.8 million). Net profit margin increased to 4.0% from 3.8% in the same period last year.

Selling and distribution expenses and administrative expenses for the Period decreased by 10.7% to approximately HK\$238.3 million (six months ended 30 June 2012: HK\$266.9 million). The decrease was in line with logistics costs incurred from the shrinking sales orders in garment segment. Finance costs for the Period increased by 17.8% to approximately HK\$23.8 million (six months ended 30 June 2012: HK\$20.2 million) as a result of increased interest expenses incurred partly by the machine loans and higher interest margin on the bank borrowings.

Liquidity, financial resources and capital structure

As at 30 June 2013, the Group's net current assets were HK\$287.5 million (31 December 2012: HK\$448.9 million). The increase in net assets was mainly due to the new factory set up in Enping. The Group will constantly review its financial position and maintain a healthy financial position by financing its operations from internally generated resources and long-term bank loans. As at 30 June 2013, the Group had cash and cash equivalents of HK\$459.2 million (31 December 2012: HK\$494.6 million). Current ratio as at 30 June 2013 was 1.1 times (31 December 2012: 1.3 times).

Total bank and other borrowings of the Group as at 30 June 2013 were HK\$1,439.2 million (31 December 2012: HK\$1,452.7 million). The Group's net debt gearing ratio (i.e. net debt divided by the sum of equity and net debt) as at 30 June 2013 was at a healthy level of 48.6% (31 December 2012: 46.2%). Net debt comprises all interest-bearing bank and other borrowings, an amount due to an associate, accounts and bills payable, and accrued liabilities and other payables less cash and cash equivalents. Equity comprises owners' equity as stated in the condensed consolidated financial statements.

As at 30 June 2013, the Group's long-term loans were HK\$410.9 million (31 December 2012: HK\$563.2 million), comprising syndicated loan and term loans from banks of HK\$394.5 million (31 December 2012: HK\$538.3 million) and long-term finance lease payable of HK\$16.4 million (31 December 2012: HK\$24.9 million). The decrease in long-term loan was mainly because of the reclassification of part of the term loans from non-current liabilities to current liabilities during the Period.

On 6 August 2013, the Group has successfully obtained a 3.5-year syndicated loan facility of HK\$1,000.0 million at an interest rate of HIBOR plus 2.5% per annum for refinancing previous syndicated loan of HK\$690.0 million, supplying additional working capital and financing future expansion of production capacity. The interest-bearing bank and other borrowings under current liability will be reduced afterwards.

Exposure to fluctuation in foreign exchange and interest rate

77.2% of the Group's sales was denominated in United States dollars (six months ended 30 June 2012: 73.6%). The remaining sales were denominated in Hong Kong dollars and Renminbi. The majority of the Group's cost of sales was denominated in United States dollars, Hong Kong dollars and Renminbi. The Group is therefore exposed to foreign exchange risk arising from currency exposures, primarily in respect of Renminbi. The exchange rates of other currencies were relatively stable throughout the Period and immaterial to our cost structure. The management closely monitors the foreign exchange movements and determines the appropriate hedging activities when necessary.

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

Charge of Group's assets

As at 30 June 2013, certain items of property, plant and equipment of the Group with an aggregate net book value of HK\$76.8 million (31 December 2012: HK\$91.3 million) were under finance leases.

Capital expenditure

During the Period, the Group invested HK\$181.4 million (six months ended 30 June 2012: HK\$235.7 million) in capital expenditure of which 93.2% was used for the purchase of plant and machinery (six months ended 30 June 2012: 89.9%), 2.2% was used for the acquisition and construction of new factory premises (six months ended 30 June 2012: 8.3%), and the remaining was used for the purchase of other property, plant and equipment.

As at 30 June 2013, the Group had capital commitments of HK\$116.5 million (31 December 2012: HK\$71.4 million) in property, plant and equipment. All are funded or will be funded by internal resources.

Contingent liabilities

As at 30 June 2013, the Group did not have any significant contingent liabilities (31 December 2012: Nil).

Material acquisition and disposal

On 1 April 2013, the Group acquired a further 8% equity interest in its non-wholly owned subsidiary, Kam Wing International Textile Company Limited, at a cash consideration of HK\$20,000,000 to further consolidate its control. Such acquisition did not constitute a connected or discloseable transaction of the Company within the meaning of the Listing Rules.

Save as disclosed above, there was no material acquisition and disposal by the Group during the Period.

Human Resources

As at 30 June 2013, the Group had 6,007 employees in the PRC and Madagascar (31 December 2012: 8,172) and 172 employees in Hong Kong, Macau, Singapore and Korea (31 December 2012: 183). Remuneration packages are generally structured by reference to market terms and individual qualifications. 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.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the Period (six months ended 30 June 2012: Nil).

OTHER INFORMATION

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

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 its subsidiaries, which contain covenants requiring specific performance of the controlling shareholders of the Company.

- (a) Pursuant to facility agreement dated 12 August 2011 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\$690.0 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, either of or taken together, Mr. Tai Chin Chun and Mr. Tai Chin Wen either: (i) do not or cease to own, directly or indirectly, at least 40% of the beneficial interest in the Company, carrying at least 40% of the voting right, free from any security interest, (ii) are not or cease to be the single largest shareholder of the Company, (iii) do not or cease to have management control of the Group or (iv) do not or cease to appoint or nominate the majority of the Board or is not the chairman of the Company, the commitments under the loan facility may be cancelled and all amounts outstanding under the loan facility may become immediately due and payable. These have been duly complied with as at 30 June 2013. This loan facility has been repaid in full in August 2013.

- (b) Pursuant to another facility agreement dated 6 August 2013 and entered into among (i) a wholly-owned subsidiary of the Company, as borrower, (ii) the Company and two other subsidiaries of the Company as guarantors, and (iii) various financial institutions as agent and lenders, a term loan facility in an aggregate sum of HK\$1,000.0 million is made available to the Group 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, among other matters: (a) the chairman of the Company is not or ceases to be either one of Mr. Tai Chin Chun and Mr. Tai Chin Wen (together with their respective spouses, Ms. Cheung So Wan and Ms. Wong Siu Yuk, the "Tai Family"); (b) Mr. Tai Chin Chun and Mr. Tai Chin Wen do not or cease to have management control of the Group; (c) the Tai Family collectively: (i) does not or ceases to own, directly or indirectly, at least 40% of the beneficial interest in the Company, carrying at least 40% of the voting right, free from any security interest; (ii) is not or ceases to be the single largest shareholder of the Company; and/or (iii) does not or ceases 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.

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

Mr. Chan Yuk Tong, Jimmy, an independent non-executive director, retired/resigned as an independent non-executive director of BYD Electronic (International) Company Limited, Xinhua Winshare Publishing and Media Company Limited and Daisho Microline Holdings Limited with effect from 7 June 2013, 10 July 2013 and 26 August 2013 respectively. On 7 August 2013, he also resigned as an independent non-executive director of Trauson Holdings Company Limited, which has withdrawn its listing from the Stock Exchange with effect from 15 July 2013.

Directors' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2013, 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

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

Name of director	Notes	Capacity and nature of interest			Total Interests (Number of shares)	Approximate percentage of the Company's issued share capital (%)
		Beneficial owner (Number of shares)	Interest of spouse (Number of shares)	Interest in controlled corporation (Number of shares)		
Mr. Tai Chin Chun	1	3,000,000	1,000,000	332,600,000	336,600,000	38.69
Mr. Tai Chin Wen	2	2,000,000	1,000,000	96,000,000	99,000,000	11.38
Ms. Cheung So Wan	3	1,000,000	335,600,000	–	336,600,000	38.69
Ms. Wong Siu Yuk	4	1,000,000	98,000,000	–	99,000,000	11.38
Mr. Chong Chau Lam		300,000	–	–	300,000	0.03

Notes:

1. 332,600,000 shares are held by Exceed Standard Limited (“Exceed Standard”), a company incorporated in the British Virgin Islands (the “BVI”) and beneficially owned by Mr. Tai Chin Chun, the chairman and an executive director of the Company. As Ms. Cheung So Wan is his spouse, Mr. Tai Chin Chun is deemed to be interested in the 1,000,000 shares held by Ms. Cheung So Wan under the SFO.
2. 96,000,000 shares are held by Power Strategy Limited (“Power Strategy”), a company incorporated in the BVI and beneficially owned by Mr. Tai Chin Wen. As Ms. Wong Siu Yuk is his spouse, Mr. Tai Chin Wen is deemed to be interested in the 1,000,000 shares held by Ms. Wong Siu Yuk under the SFO.
3. Ms. Cheung So Wan is deemed to be interested in the shares held by her spouse, Mr. Tai Chin Chun, under the SFO.
4. Ms. Wong Siu Yuk is deemed to be interested in the shares held by her spouse, Mr. Tai Chin Wen, under the SFO.

Save as disclosed above, as at 30 June 2013, none of the Directors nor the chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Option Scheme

The Company 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 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 25 August 2004 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The Company has sought the approval by its shareholders in the annual general meeting of the Company held on 26 May 2008 for refreshing its scheme mandate limit such that 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 64,458,300 shares, representing 10% of the share capital of the Company as at the date of refreshment of the scheme mandate limit. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

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

The offer of a grant of share options may be accepted within 28 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 (if any) and ends on a date which is not later than 10 years from the date of offer of the share options.

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

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

The following table discloses movements in the Company's share options outstanding during the Period:

Name of category of participant	Number of share options					At 30 June 2013	Date of grant of share options	Exercise period of share options	Exercise price of share options HK\$ per share (Note 2)	Price of the Company's shares at the grant date of options HK\$ per share (Note 3)	Weighted average closing price immediately before the exercise date HK\$ per share
	At 1 January 2013	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period						
<i>Non-director employees</i>											
In aggregate	1,060,000	-	-	-	-	1,060,000	6 October 2004	6 October 2005 to 5 October 2014	1.28	1.24	N/A
<i>Others</i>											
In aggregate	220,000	-	-	-	-	220,000	6 October 2004	6 October 2005 to 5 October 2014	1.28	1.24	N/A
Total	1,280,000	-	-	-	-	1,280,000					

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.
2. The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.
3. The price of the Company's shares disclosed at the grant date of options is the closing price of the Company's shares on the Stock Exchange on the trading day or the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately prior to the date of offer of the grant of the options.

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

So far as is known to the Directors and the chief executive of the Company, as at 30 June 2013, 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	Number of ordinary shares held	Percentage of the Company's issued share capital
	<small>(Note)</small>		
Exceed Standard	Beneficial owner	332,600,000	38.23%
Power Strategy	Beneficial owner	96,000,000	11.04%

Note: The relationship between Exceed Standard and Mr. Tai Chin Chun, as well as that between Power Strategy and Mr. Tai Chin Wen are disclosed in the notes under the section headed "Directors' interests and short positions in shares and underlying shares" above.

Save as disclosed above, as at 30 June 2013, no person, other than the Directors or the chief executive of the Company whose interests are set out under the sections headed "Directors' interests and short positions in shares and underlying shares" and "Share option scheme" above, had an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register pursuant to Section 336 of the SFO.

Purchase, Redemption or Sale of Listed Securities of the Company

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

Corporate Governance

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

Audit Committee

The Audit Committee of the Company, comprising all the three independent non-executive Directors, namely Mr. Chan Yuk Tong, Jimmy (as Chairman), Ms. Chu Hak Ha, Mimi and Mr. Ho Gilbert Chi Hang. The Audit Committee is primarily responsible for reviewing and supervising the financial reporting and the internal control of the Group. The Audit Committee has discussed with management the accounting policies adopted by the Group and reviewed the unaudited interim financial statements of the Group for the Period before recommending them to the Board for approval.

Model Code For Securities Transactions By Directors

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

Approval of the Unaudited Interim Financial Statements

The unaudited interim financial statements were approved and authorised for issue by the Board on 26 August 2013.

CONDENSED CONSOLIDATED INCOME STATEMENT*For the six months ended 30 June 2013*

	Notes	Six months ended 30 June 2013 HK\$'000 (Unaudited)	Six months ended 30 June 2012 HK\$'000 (Unaudited)
REVENUE	2, 3	2,057,415	2,028,632
Cost of sales		(1,702,908)	(1,667,386)
Gross profit		354,507	361,246
Other income and gains, net	3	13,174	17,645
Selling and distribution expenses		(68,818)	(77,691)
Administrative expenses		(169,448)	(189,197)
Other operating income/ (expenses), net		(6,873)	3,007
Finance costs		(23,825)	(20,236)
Share of profits less losses of a jointly- controlled entity		(2,163)	(3,229)
Share of profits less losses of an associate		(188)	–
PROFIT BEFORE TAX	4	96,366	91,545
Income tax expense	5	(14,515)	(14,054)
PROFIT FOR THE PERIOD		81,851	77,491
Attributable to:			
Ordinary equity holders of the Company		72,573	69,777
Non-controlling interests		9,278	7,714
		81,851	77,491
Interim dividend	6	Nil	Nil
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	7	HK8.3 cents	HK8.0 cents
Diluted	7	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	Six months ended 30 June 2013 HK\$'000 (Unaudited)	Six months ended 30 June 2012 HK\$'000 (Unaudited)
PROFIT FOR THE PERIOD	81,851	77,491
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	–	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	81,851	77,491
Attributable to:		
Ordinary equity holders of the Company	72,573	69,777
Non-controlling interests	9,278	7,714
	81,851	77,491

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Notes	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	1,933,669	1,880,299
Prepaid land lease payments		68,349	69,261
Intangible assets		–	–
Interest in a jointly-controlled entity		24,732	26,895
Interest in an associate		47,143	47,331
Prepayment		7,281	7,381
Long term receivable		15,849	15,387
Deposits paid		22,025	26,728
Deferred tax assets		5,781	5,835
Total non-current assets		2,124,829	2,079,117
CURRENT ASSETS			
Inventories		973,360	770,559
Accounts and bills receivable	9	692,704	689,124
Prepayments, deposits and other receivables		53,424	53,091
Equity investment at fair value through profit or loss		409	596
Derivative financial instruments		33	69
Due from a jointly-controlled entity		30,385	36,300
Tax recoverable		1,824	2,887
Pledged deposits		385	2,174
Cash and cash equivalents		459,175	494,648
Total current assets		2,211,699	2,049,448

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2013

	Notes	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
CURRENT LIABILITIES			
Accounts and bills payable	10	781,871	561,623
Accrued liabilities and other payables		73,253	118,607
Derivative financial instruments		2,029	32
Due to an associate		3,126	3,112
Tax payable		35,607	27,580
Interest-bearing bank and other borrowings		1,028,280	889,580
Total current liabilities		1,924,166	1,600,534
NET CURRENT ASSETS			
		287,533	448,914
TOTAL ASSETS LESS CURRENT LIABILITIES			
		2,412,362	2,528,031
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		410,933	563,165
Deferred tax liabilities		1,002	752
Total non-current liabilities		411,935	563,917
Net assets		2,000,427	1,964,114
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital		86,992	86,992
Reserves		1,860,968	1,820,767
		1,947,960	1,907,759
Non-controlling interests			
		52,467	56,355
Total equity		2,000,427	1,964,114

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	Attributable to ordinary equity holders of the Company										
	Issued capital	Share premium account	Share option reserve	Capital reserve	Statutory surplus reserve	Other reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2012 (Audited)	86,992	446,105	290	104,804	37,177	-	325,008	832,678	1,833,054	61,275	1,894,329
Total comprehensive income for the period	-	-	-	-	-	-	-	69,777	69,777	7,714	77,491
Final 2011 dividend declared	-	-	-	-	-	-	-	(28,707)	(28,707)	-	(28,707)
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(10,535)	(10,535)
Transfer to statutory surplus reserve	-	-	-	-	806	-	-	(806)	-	-	-
At 30 June 2012 (Unaudited)	86,992	446,105	290	104,804	37,983	-	325,008	872,942	1,874,124	58,454	1,932,578
At 1 January 2013 (Audited)	86,992	446,105	290	104,804	39,601	-	327,536	902,431	1,907,759	56,355	1,964,114
Total comprehensive income for the period	-	-	-	-	-	-	-	72,573	72,573	9,278	81,851
Final 2012 dividend declared	-	-	-	-	-	-	-	(23,488)	(23,488)	-	(23,488)
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(2,050)	(2,050)
Acquisition of additional interest in a subsidiary for non-controlling interest*	-	-	-	-	-	(9,360)	476	-	(8,884)	(11,116)	(20,000)
Transfer to statutory surplus reserve	-	-	-	-	1,611	-	-	(1,611)	-	-	-
At 30 June 2013 (Unaudited)	86,992	446,105	290	104,804	41,212	(9,360)	328,012	949,905	1,947,960	52,467	2,000,427

* On 1 April 2013, the Group acquired additional 8% equity interest in a subsidiary. A consideration of HK\$20,000,000 was payable to the non-controlling interest shareholder.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 June 2013*

	Six months ended 30 June 2013 HK\$'000 (Unaudited)	Six months ended 30 June 2012 HK\$'000 (Unaudited)
NET CASH FLOW FROM OPERATING ACTIVITIES	183,006	94,589
NET CASH FLOW USED IN INVESTING ACTIVITIES	(177,860)	(176,443)
NET CASH FLOW USED IN FINANCING ACTIVITIES	(40,619)	(86,092)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(35,473)	(167,946)
Cash and cash equivalents at beginning of period	494,648	553,108
CASH AND CASH EQUIVALENTS AT END OF PERIOD	459,175	385,162
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	459,175	385,162

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The condensed consolidated interim financial statements of the Group have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and with the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). These condensed consolidated financial statements are unaudited but have been reviewed by the Company's audit committee.

The basis of preparation and accounting policies adopted in preparing these condensed consolidated financial statements are consistent with those adopted in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

In the current period, the Group has applied, for the first time, the new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by HKICPA which are effective for the Group's financial year beginning on 1 January 2013. The adoption of the new and revised HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current accounting periods.

The Group has not early applied the new and revised HKFRSs relevant to the Group's financial statements, that have been issued but not yet effective in the period covered by these interim financial statements.

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 results of operations and financial position.

2. OPERATING SEGMENT INFORMATION

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

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

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

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

2. OPERATING SEGMENT INFORMATION (continued)

	Fabric HK\$'000	Garment HK\$'000	Others HK\$'000	Total HK\$'000
Six months ended 30 June 2013 (Unaudited)				
Segment revenue:				
Revenue from external customers	1,990,173	67,242	–	2,057,415
Intersegment revenue	4,150	–	–	4,150
	1,994,323	67,242	–	2,061,565
Elimination of intersegment revenue				(4,150)
Total revenue				2,057,415
Segment profits/(losses)	122,847	(2,299)	411	120,959
Bank interest income	1,579	4	–	1,583
Finance costs	(23,781)	(44)	–	(23,825)
Share of profits less losses of a jointly-controlled entity	(2,163)	–	–	(2,163)
Share of profits less losses of an associate	–	–	(188)	(188)
Profit/(loss) before tax	98,482	(2,339)	223	96,366
Income tax expense	(14,455)	–	(60)	(14,515)
Profit/(loss) for the period	84,027	(2,339)	163	81,851
As at 30 June 2013 (Unaudited)				
Assets and liabilities				
Segment assets	4,178,656	75,485	4,731	4,258,872
Interest in a jointly-controlled entity	24,732	–	–	24,732
Interest in an associate	–	–	47,143	47,143
Deferred tax assets	5,781	–	–	5,781
Total assets	4,209,169	75,485	51,874	4,336,528
Segment liabilities	2,327,216	1,753	6,130	2,335,099
Deferred tax liabilities	1,002	–	–	1,002
Total liabilities	2,328,218	1,753	6,130	2,336,101
Other segment information:				
Six months ended 30 June 2013 (Unaudited)				
Depreciation and amortisation	125,550	1,240	2	126,792
Capital expenditure	181,399	38	–	181,437

2. OPERATING SEGMENT INFORMATION (continued)

	Fabric HK\$'000	Garment HK\$'000	Others HK\$'000	Total HK\$'000
Six months ended 30 June 2012				
(Unaudited)				
Segment revenue:				
Revenue from external customers	1,885,250	143,382	–	2,028,632
Intersegment revenue	44,256	–	–	44,256
	1,929,506	143,382	–	2,072,888
Elimination of intersegment revenue				(44,256)
Total revenue				2,028,632
Segment profits	100,716	12,714	465	113,895
Bank interest income	1,110	5	–	1,115
Finance costs	(20,061)	(147)	(28)	(20,236)
Share of profits less losses of a jointly-controlled entity	(3,229)	–	–	(3,229)
Profit before tax	78,536	12,572	437	91,545
Income tax expense	(13,522)	(532)	–	(14,054)
Profit for the period	65,014	12,040	437	77,491
As at 31 December 2012				
(Audited)				
Assets and liabilities				
Segment assets	3,881,864	163,043	3,597	4,048,504
Interest in a jointly-controlled entity	26,895	–	–	26,895
Interest in an associate	–	–	47,331	47,331
Deferred tax assets	5,835	–	–	5,835
Total assets	3,914,594	163,043	50,928	4,128,565
Segment liabilities	2,140,129	19,876	3,694	2,163,699
Deferred tax liabilities	752	–	–	752
Total liabilities	2,140,881	19,876	3,694	2,164,451
Other segment information:				
Six months ended 30 June 2012				
(Unaudited)				
Depreciation and amortisation	109,159	2,152	3	111,314
Capital expenditure	234,775	928	27	235,730

2. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	Six months ended 30 June 2013 HK\$'000 (Unaudited)	Six months ended 30 June 2012 HK\$'000 (Unaudited)
Singapore	505,898	674,964
Korea	430,800	354,764
Hong Kong	352,196	417,499
Mainland China	156,517	200,176
Taiwan	151,443	128,443
Others	460,561	252,786
	2,057,415	2,028,632

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

(b) Non-current assets

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Mainland China	2,006,731	1,959,721
Hong Kong	91,646	92,669
Madagascar	4,264	4,789
Singapore	161	192
Others	397	524
	2,103,199	2,057,895

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

Information about a major customer

During the period ended 30 June 2013, the revenue from the Group's largest customer amounted to less than 10% of the Group's total revenue.

During the period ended 30 June 2012, revenue of approximately HK\$206,700,000 was derived from sales by the fabric products segment and subcontracting services by the garment products segment to a single customer, including sales to a group of entities which are known to be under common control with that customer.

3. REVENUE, OTHER INCOME AND GAINS, NET

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

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

	Six months ended 30 June 2013 HK\$'000 (Unaudited)	Six months ended 30 June 2012 HK\$'000 (Unaudited)
Revenue		
Production and sale of knitted fabric, dyed yarn and provision of related subcontracting services	1,990,173	1,885,250
Production and sale of garment products and provision of related subcontracting services	67,242	143,382
	2,057,415	2,028,632
Other income		
Fee income from freight handling services	4,281	3,010
Bank interest income	1,583	1,115
Gross rental income	228	130
Others	8,358	9,039
	14,450	13,294
Gains, net		
Fair value gains/(losses), net:		
Equity investment at fair value through profit or loss – held for trading	(187)	184
Derivative financial instruments – transactions not qualified as hedges but matured during the period	907	4,268
Derivative financial instruments – transactions not qualified as hedges and not yet matured	(1,996)	(101)
	(1,276)	4,351
Other income and gains, net	13,174	17,645

4. PROFIT BEFORE TAX

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

	Six months ended 30 June 2013 HK\$'000 (Unaudited)	Six months ended 30 June 2012 HK\$'000 (Unaudited)
Cost of inventories sold and services provided	1,702,908	1,667,386
Research and development costs	3,481	3,617
Depreciation of items of property, plant and equipment	125,880	110,396
Amortisation of prepaid land lease payments	912	918
Employee benefits expense (including directors' remuneration):		
Wages and salaries	191,811	210,394
Pension scheme contributions	8,433	6,870
	200,244	217,264
Minimum lease payments under operating leases in respect of land and buildings	3,957	4,035
Loss/(gain) on disposal of items of property, plant and equipment	(49)	28
Impairment of accounts receivable	3,763	–
Write-back of impairment allowance for accounts receivable	(343)	(1,933)
Fair value losses/(gains), net:		
Equity investment at fair value through profit or loss – held for trading	187	(184)
Derivative financial instruments – transactions not qualified as hedges but matured during the period	(907)	(4,268)
Derivative financial instruments – transactions not qualified as hedges and not yet matured	1,996	101
Foreign exchange differences, net	3,495	(2,602)

5. INCOME TAX

	Six months ended 30 June 2013 HK\$'000 (Unaudited)	Six months ended 30 June 2012 HK\$'000 (Unaudited)
Current tax – Hong Kong		
Charge for the period	9,219	8,091
Current tax – Elsewhere		
Charge for the period	4,992	5,740
Deferred tax charge	304	223
Total tax charge for the period	14,515	14,054

Hong Kong profits tax has been provided on the estimated assessable profits arising in Hong Kong at the rate of 16.5% (six months ended 30 June 2012: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

6. DIVIDEND

The Board has resolved not to declare any interim dividend for the Period (six months ended 30 June 2012: Nil).

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

The calculation of basic earnings per share amount is based on the profit for the Period attributable to ordinary equity holders of the Company of HK\$72,573,000 (six months ended 30 June 2012: HK\$69,777,000), and 869,919,000 (six months ended 30 June 2012: 869,919,000) ordinary shares in issue during the Period.

Diluted earning per share for the periods ended 30 June 2013 and 30 June 2012 has not been disclosed, as the share options outstanding during these periods had an anti-dilutive effect on the basic earnings per share for these periods.

8. PROPERTY, PLANT AND EQUIPMENT

The changes in the net book value of property, plant and equipment for the six months ended 30 June 2013 are analysed as follows:

	HK\$'000
At 1 January 2013 (Audited)	1,880,299
Additions/Transfers	181,437
Disposals	(2,187)
Depreciation	(125,880)
At 30 June 2013 (Unaudited)	1,933,669

8. PROPERTY, PLANT AND EQUIPMENT (continued)

As at 30 June 2013, the Group was in the process of applying the building ownership certificates in respect of certain self-used properties with net book value of HK\$12.0 million (31 December 2012: HK\$12.5 million) and HK\$122.1 million (31 December 2012: HK\$69.5 million) situated in Panyu, the PRC and Enping, the PRC, respectively. The Company's directors confirmed that, based on the advice from the Company's legal counsel, as the Group has properly obtained the land use right certificates in respect of the land on which the aforementioned self-used properties are located, and therefore are in the opinion that there is no legal barrier or otherwise for the Group to obtain the building ownership certificates from the relevant Mainland China authority.

9. ACCOUNTS AND BILLS RECEIVABLE

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

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

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Within 1 month	302,828	256,066
1 to 2 months	195,341	230,993
Over 2 months	194,535	202,065
	692,704	689,124

10. ACCOUNTS AND BILLS PAYABLE

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

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Within 3 months	640,230	499,108
3 to 6 months	139,602	58,828
Over 6 months	2,039	3,687
	781,871	561,623

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

11. COMMITMENTS

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

Capital commitments

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Contracted but not provided for:		
Purchases of machinery	80,182	39,780
Construction in progress	36,360	31,651
	116,542	71,431

The Group had outstanding commitments amounted to HK\$123,952,000 (31 December 2012: HK\$287,416,000) as at the end of the reporting period in respect of irrevocable letters of credit.

12. 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 Period:

	Notes	Six months ended 30 June 2013 HK\$'000 (Unaudited)	Six months ended 30 June 2012 HK\$'000 (Unaudited)
Rental expenses on office premises and staff quarters paid to Tai Chin Chun and Tai Chin Wen	(i)	360	360
Rental expenses on staff quarters paid to Cheung So Wan and Wong Siu Yuk	(ii)	113	113
Rental expenses on an office premise and car parks paid to Chin Tai Wing	(iii)	228	132
Sales of raw materials to a jointly-controlled entity	(iv)	7,110	34,441
Purchases of yarns from a jointly-controlled entity	(v)	19,623	41,557

12. RELATED PARTY TRANSACTIONS (continued)

(a) (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 office premises and staff quarters at monthly rentals of HK\$40,000 and HK\$20,000 for a term of two years, respectively, based on the terms mutually agreed by both parties.
 - (ii) The Group entered into tenancy agreements with Ms. Cheung So Wan and Ms. Wong Siu Yuk, directors of the Company, for the rental of staff quarters at monthly rentals of approximately HK\$18,750 for a term of three years, based on the terms mutually agreed by both parties.
 - (iii) The Group entered into tenancy agreements with Mr. Chin Tai Wing, a key management personnel of the Group, for the rental of an office premise and two car park spacing at monthly rentals of approximately HK\$38,000 for a term of three years, based on the then prevailing market rentals.
 - (iv) The sales of raw materials to the jointly-controlled entity was determined based on the terms mutually agreed by both parties.
 - (v) The cost of purchases of yarns from the jointly-controlled entity was determined based on the terms mutually agreed by both parties.
- (b) The Group is still in the process of applying for the land use planning for construction work permit, construction project and planning permit, commencement of construction work permit in respect of a six-storey factory building, with a net book value of approximately HK\$2.8 million (31 December 2012: HK\$3.0 million) as at 30 June 2013.

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

(c) Outstanding balances with related parties:

Details of the Group's balances with its jointly-controlled entity and associate as at the end of the reporting period are unsecured, interest-free and have no fixed terms of repayment.

12. RELATED PARTY TRANSACTIONS (continued)

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

	Six months ended 30 June 2013 HK\$'000 (Unaudited)	Six months ended 30 June 2012 HK\$'000 (Unaudited)
Short-term employee benefits	16,397	16,073
Post-employment benefits	128	107
	16,525	16,180

13. TRANSFERS OF FINANCIAL ASSETS

At 30 June 2013, the Group endorsed certain bank bills receivable in the PRC (the "Derecognised Bills") which were originally endorsed by its customers, to certain of its suppliers for settling the trade payables due to such suppliers with a carrying amount in aggregate of RMB8,783,000. The Derecognised Bills have a remaining maturity from one to five months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors of the Company, the Group has transferred substantially all risks and rewards related to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills equal to their carrying amounts. In the opinion of the directors of the Company, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the periods ended 30 June 2013 and 30 June 2012, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the periods or cumulatively. The Endorsement has been made evenly throughout the periods ended 30 June 2013 and 30 June 2012.

14. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 26 August 2013.