



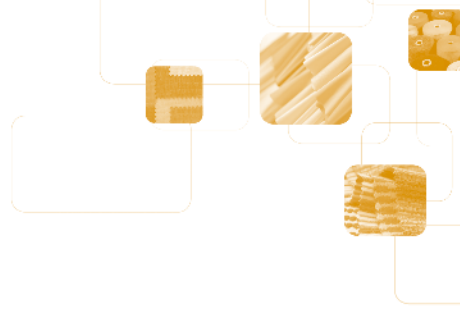
KAM HING INTERNATIONAL HOLDINGS LIMITED
錦興國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 02307



2014 Interim Report





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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Tai Chin Chun (*Chairman*)
Mr. Tai Chin Wen (*Chief Executive Officer*)
Ms. Cheung So Wan
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

Codan 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 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Stock Code

The Stock Exchange of
Hong Kong Limited: 02307



MANAGEMENT DISCUSSION AND ANALYSIS

The Board of Directors (the “Board”) of Kam Hing International Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2014 (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 for Chinese textile and garment industry has experienced unexpected fluctuations during the first half of 2014. The industry operated under immense pressure from both soft market conditions and cost fronts. As indicated by China Customs Statistics, the pace of growth of the textile and garment export slowed a mere 5.1% in the first five months of 2014, compared to 10.2% during the corresponding period last year. At the same time, just when signs of stronger economic growth had begun to emerge in the United States (the “U.S.”), being the Group’s major end market, the winter storms that swept across much of the U.S. in February 2014 had undercut the nation’s economy. The gross domestic product of the U.S. thus decreased at an annual rate of 2.9% during the first quarter of 2014. The U.S. buyers refrained from placing orders because of inventory stack-up during the first quarter; and this has greatly affected the Group’s order book in the second quarter. Together with the impact from continually escalating operating costs in China, the first half of 2014 had been a challenging time for many Chinese textile manufacturers. The Group was of no exception. However, the Group was able to persist through another tough season with healthy financials and efforts to step up and transform its position as a one-stop fabric solutions provider.

During the Period, textile manufacturing remained the principal operation of the Group. The lasting political instability in Madagascar continued to prevail and affect our garment business of the Group during the Period. Buyers have been extremely cautious and were in fact reluctant to place orders to avoid political risks. While the Group still has business establishment in Madagascar, the business has been substantially scaled down. The Board has been reviewing and assessing the political and business environment in Madagascar and has been providing solutions to our customers with our global outsourcing and trading capability. We will review the situation constantly. Should this unfavourable condition in Madagascar persist, the Board may consider to close down the garment business in Madagascar.



Business Review (continued)

For the six months ended 30 June 2014, the Group's overall revenue decreased by approximately 7.0% to HK\$1,913.2 million (six months ended 30 June 2013: HK\$2,057.4 million). Gross profit decreased by approximately 10.6% to HK\$316.9 million (six months ended 30 June 2013: HK\$354.5 million), whilst net profit attributable to ordinary equity holders of the Company amounted to HK\$63.0 million representing a decrease of approximately 13.2% from the previous corresponding period (six months ended 30 June 2013: HK\$72.6 million). All of the aforementioned were primarily attributable to the decrease in order book caused by the winter storms in the U.S. and the overheads incurred during the ramp-up process of our newly established fabric printing facility with enhancement in the Group's production plant in Enping.

In order to diversify our product mix beyond traditional knitted fabrics, the Group has been investing in the development of high-end functional fabrics since 2012. The commencement of production of synthetic fiber and printed fabrics in July 2013 enabled the Group to offer one-stop textile solutions to customers and thus increased the Group's sales volume. Not only did the bundled order bring convenience to customers, it also created synergy with the Group's traditional products. As a new player in the market of functional fabrics, the Group deployed flexible pricing strategies to capture more clients and hence market share. Once the volume and client base of high-end functional fabrics reach scale, the production will be able to achieve economies of scale and improve efficiency. The Group is confident that this new business line would turn around in the foreseeable future.

In order to reduce its reliance on the U.S. market, the Group has diversified into Asian markets in recent years. In continuation with efforts to diversify its geographical exposure, building long-term relationships with customers in the Japanese market has become the Group's main objective during the Period. By accommodating the needs of different customers and catering quality customised products, the Group strongly believes we are establishing rapport with our customers, hence gradually building a trusting long-term relationship. At the same time, the Group has dedicated its effort in tapping into the European and Chinese fast fashion markets during the Period to expand new revenue streams for the Group. With the Group's enhanced capability in manufacturing functional fabrics and previous successful track record of venturing into new markets, we are experienced to explore local buyers' tastes and market needs and deliver customised products for their specific preferences. We believe when these markets ramp up, they would make meaningful contributions to the Group's revenue.



Prospects

Facing the volatile market conditions, the Group expects the remainder of 2014 to be full of uncertainties. The Group will continue to diversify its business composition by attaining greater market share in functional fabrics and use this product tapping into different markets like Europe, Japan and China. The Group is determined to execute its expansion plans with precision. With endeavours to continuously enhance its competitiveness, the Group is confident that our new business lines in functional fabrics will soon make greater contributions to the Group.

On 21 August 2014, the Group entered into an agreement to dispose of its 25% equity interest in Honghu Xing Ye Textile Co Ltd. (the "Joint Venture"). Given the adverse business environment of the cotton spinning market, the Joint Venture has been suffering losses for a few years. The management is not optimistic about the prospects of the cotton spinning market in China and does not consider that it would turn around in the near future. In the circumstances, the Board considers that the disposal enables the Group to seize the first available opportunity to realize its investment in the Joint Venture and to focus the Group's core operation.

The Group is also seriously considering partnering with other manufacturer(s) in Vietnam in order to take advantage of the free trade arrangement, which is expected to be finalised in 2015, among the Trans-Pacific Partnership in which Vietnam and U.S. are members. However, no decision or agreement has been reached yet.

With all of these measures made to transform and strengthen its position during this ongoing market consolidation in the textile industry, the Group believes it is on the right track to fulfill its mandate to continuously create return for shareholders.

Financial Review

The Group's overall revenue for the Period decreased by 7.0% to approximately HK\$1,913.2 million (six months ended 30 June 2013: HK\$2,057.4 million). The revenue drop by 7.0% was mainly divided by the decrease in fabric and yarn sales by 3.7% and 3.3% in garment.

Gross profit for the Period decreased by 10.6% to approximately HK\$316.9 million (six months ended 30 June 2013: HK\$354.5 million). Gross profit margin decreased to 16.6% from 17.2% in the same period last year. The margin decrease was mainly due to the decrease in sales as a result of winter storms in the U.S. and the overheads incurred in the Group's production plant in Enping during the Period.



Financial Review (continued)

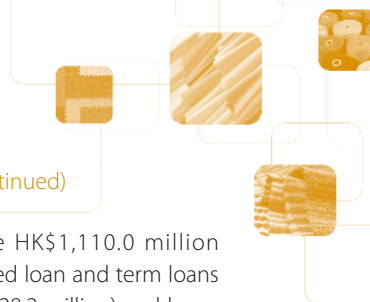
Net profit attributable to equity holders of the Company for the Period decreased by 13.2% to approximately HK\$63.0 million (six months ended 30 June 2013: HK\$72.6 million). Net profit margin decreased to 3.4% from 4.0% in the same period last year.

Selling and distribution expenses for the Period decreased by 23.3% to approximately HK\$52.8 million (six months ended 30 June 2013: HK\$68.8 million). The decrease was in line with logistics costs incurred from the shrinking sales orders. The administrative expenses, which represented a decrease of approximately 2.8% from last period to approximately HK\$164.7 million (six months ended 30 June 2013: HK\$169.4 million). The drop in administrative expenses in first half 2014 was slightly offset by the increase of depreciation in Enping new factory which launched its production after July 2013. Finance costs for the Period increased by 18.9% to approximately HK\$28.3 million (six months ended 30 June 2013: HK\$23.8 million) as a result of increased interest expenses incurred by higher interest margin on the bank borrowings.

Liquidity, financial resources and capital structure

As at 30 June 2014, the Group's net current assets were HK\$921.0 million (31 December 2013: HK\$934.9 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 2014, the Group had cash and cash equivalents of HK\$747.0 million (31 December 2013: HK\$554.9 million). Current ratio as at 30 June 2014 was 1.5 times (31 December 2013: 1.7 times).

Total bank and other borrowings of the Group as at 30 June 2014 were HK\$1,967.3 million (31 December 2013: HK\$1,713.3 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 2014 was at a healthy level of 50.1% (31 December 2013: 48.4%). Net debt comprises all interest-bearing bank and other borrowings, bank advances for discounted bills, 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 statement of financial position.



Liquidity, financial resources and capital structure (continued)

As at 30 June 2014, the Group's long-term loans were HK\$1,110.0 million (31 December 2013: HK\$1,137.5 million), comprising syndicated loan and term loans from banks of HK\$1,107.9 million (31 December 2013: HK\$1,128.2 million) and long-term finance lease payable of HK\$2.1 million (31 December 2013: HK\$9.3 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.

Exposure to fluctuation in foreign exchange and interest rate

As at 30 June 2014, 70.6% of the Group's sales was denominated in United States dollars (six months ended 30 June 2013: 77.2%). 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 2014, certain items of property, plant and equipment of the Group with an aggregate net book value of HK\$59.2 million (31 December 2013: HK\$63.0 million) were under finance leases.

Capital expenditure

During the Period, the Group invested HK\$159.8 million (six months ended 30 June 2013: HK\$181.4 million) in capital expenditure of which 95.9% was used for the purchase of plant and machinery (six months ended 30 June 2013: 93.2%) and the remaining was used for the purchase of other property, plant and equipment.



Capital expenditure (continued)

As at 30 June 2014, the Group had capital commitments of HK\$43.6 million (31 December 2013: HK\$43.9 million) in property, plant and equipment. All are funded or will be funded by internal resources.

Contingent liabilities

As at 30 June 2014, the Group did not have any significant contingent liabilities (31 December 2013: Nil).

Material acquisition and disposal

There was no material acquisition and disposal of subsidiaries and associated companies by the Group during the Period. Subsequent to the Period, on 21 August 2014, the Group entered into an agreement to dispose of its 25% equity interest in Honghu Xing Ye Textile Co Ltd. at a cash consideration of RMB26,000,000. It is preliminarily estimated that a gain on disposal of approximately HK\$12.5 million will be resulted.

Human Resources

As at 30 June 2014, the Group had 6,034 employees in the PRC and Madagascar (31 December 2013: 5,828) and 170 employees in Hong Kong, Macau, Singapore and Korea (31 December 2013: 173). 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 2013: Nil).

OTHER INFORMATION

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

Pursuant to the facility agreement dated 6 August 2013 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\$1,000.0 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.

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

Mr. Wong Wai Kong, Elmen, an executive director, was appointed as an independent non-executive director of Koradior Holdings Limited with effect from 6 June 2014.

Mr. Chan Yuk Tong, Jimmy, an independent non-executive director, was appointed as non-executive director of Golden Shield Holdings (Industrial) Limited with effect from 16 June 2014. Mr. Chan also is an independent non-executive director of Sinopoly Battery Company Limited which has changed its name to Five Dragons Electric Vehicles Limited on 13 May 2014.

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

Mr. Ho Gilbert Chi Hang, an independent non-executive director, was appointed as an independent non-executive director of Sunlink International Holdings Limited and an executive director of Crosby Capital Limited with effect from 12 May 2014 and 23 May 2014 respectively. In April 2014, he ceased to be a vice president of ITC Corporation Limited and was appointed as managing partner of AID Partners Capital Limited.

Directors' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2014, 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			Total interests (shares)	Approximate percentage of the Company's issued share capital (%)
		Beneficial owner (shares)	Interest of spouse (shares)	Interest in controlled corporation (shares)		
Mr. Tai Chin Chun	1	3,000,000	1,000,000	332,600,000	336,600,000	38.69
Mr. Tai Chin Wen	2	2,000,000	1,000,000	96,000,000	99,000,000	11.38
Ms. Cheung So Wan	3	1,000,000	335,600,000	-	336,600,000	38.69
Ms. Wong Siu Yuk	4	1,000,000	98,000,000	-	99,000,000	11.38
Mr. Chong Chau Lam		300,000	-	-	300,000	0.03

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

Notes:

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

Save as disclosed above, as at 30 June 2014, none of the directors nor the chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Option Scheme

The Company adopted a new share option scheme (the "Scheme") (and terminated the previous share option scheme) on 9 June 2014 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, any consultant, advisor, manager or officer who provides research, development, other technological support or services to the Group, the Company's shareholders, and any non-controlling shareholder of the Company's subsidiaries. The Scheme became effective on 11 June 2014 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.



Share Option Scheme (continued)

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

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

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

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

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

Share Option Scheme (continued)

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

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

- The vesting period of the share options is from the date of grant until the commencement of the exercise period.
- 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.
- 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 2014, the following persons (not being directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long positions:


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

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

Save as disclosed above, as at 30 June 2014, 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.



Update on litigation with a previous subcontractor and its affiliated company

As disclosed in note 42b to the financial statements of the Group for the year ended 31 December 2013 in the annual report for 2013, (i) the PRC Court overruled all demands from a previous subcontractor of the Group (the “First Plaintiff”) against the Guangzhou Municipal Land Resources and Housing Administrative Bureau on invalid procedures in the transfer of a parcel of land (the “Land”) in Panyu to the Group (the “First Case”) and the First Plaintiff has lodged an appeal; and (ii) an affiliated company of the First Plaintiff (the “Second Plaintiff”) filed a claim against the Group for acquiring the Land through invalid procedures (the “Second Case”). As at the approval date of these financial statements, the appeal by the First Plaintiff under the First Case was still in progress and the court hearing date of the Second Case has yet to be fixed.

Corporate Governance

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

Audit Committee

The Audit Committee 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 22 August 2014.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2014

	Notes	Six months ended 30 June 2014 HK\$'000 (Unaudited)	Six months ended 30 June 2013 HK\$'000 (Unaudited)
REVENUE	2, 3	1,913,234	2,057,415
Cost of sales		(1,596,294)	(1,702,908)
Gross profit		316,940	354,507
Other income and gains, net	3	9,010	13,174
Selling and distribution expenses		(52,823)	(68,818)
Administrative expenses		(164,699)	(169,448)
Other operating expenses, net		(2,446)	(6,873)
Finance costs		(28,312)	(23,825)
Share of profits less losses of a joint venture		(1,629)	(2,163)
Share of profits less losses of an associate		357	(188)
PROFIT BEFORE TAX	4	76,398	96,366
Income tax expense	5	(11,822)	(14,515)
PROFIT FOR THE PERIOD		64,576	81,851
Attributable to:			
Ordinary equity holders of the Company		62,982	72,573
Non-controlling interests		1,594	9,278
		64,576	81,851
Interim dividend	6	Nil	Nil
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	7	HK7.2 cents	HK8.3 cents
Diluted	7	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Six months ended 30 June 2014 HK\$'000 (Unaudited)	Six months ended 30 June 2013 HK\$'000 (Unaudited)
PROFIT FOR THE PERIOD	64,576	81,851
OTHER COMPREHENSIVE INCOME	–	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	64,576	81,851
Attributable to:		
Ordinary equity holders of the Company	62,982	72,573
Non-controlling interests	1,594	9,278
	64,576	81,851

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	2,036,516	2,022,956
Prepaid land lease payments		66,526	67,438
Intangible assets		–	–
Interest in a joint venture		19,998	21,627
Interest in an associate		47,144	46,787
Prepayment		8,602	8,500
Long term receivable		29,324	15,848
Deposits paid		30,651	36,445
Deferred tax assets		6,979	5,835
Total non-current assets		2,245,740	2,225,436
CURRENT ASSETS			
Inventories		1,075,154	932,545
Accounts and bills receivable	9	698,539	650,165
Prepayments, deposits and other receivables		64,951	82,107
Equity investment at fair value through profit or loss		376	385
Derivative financial instruments		26	471
Due from a joint venture		2,264	2,647
Tax recoverable		634	1,321
Pledged deposits		25,436	–
Cash and cash equivalents		747,007	554,879
Total current assets		2,614,387	2,224,520

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2014

	Notes	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
CURRENT LIABILITIES			
Accounts and bills payable	10	690,975	556,303
Accrued liabilities and other payables		96,214	124,703
Derivative financial instruments		4,562	129
Due to an associate		3,085	3,095
Tax payable		38,425	29,620
Bank advances for discounted bills		2,748	–
Interest-bearing bank and other borrowings		857,361	575,748
Total current liabilities		1,693,370	1,289,598
NET CURRENT ASSETS		921,017	934,922
TOTAL ASSETS LESS CURRENT LIABILITIES		3,166,757	3,160,358
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		1,109,984	1,137,518
Deferred tax liabilities		967	902
Total non-current liabilities		1,110,951	1,138,420
Net assets		2,055,806	2,021,938
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital		86,992	86,992
Reserves		1,920,973	1,879,739
		2,007,965	1,966,731
Non-controlling interests		47,841	55,207
Total equity		2,055,806	2,021,938

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	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 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 and paid	-	-	-	-	-	-	-	(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
At 1 January 2014 (Audited)	86,992	446,105	290	104,804	42,500	(9,360)	327,657	967,743	1,966,731	55,207	2,021,938
Total comprehensive income for the period	-	-	-	-	-	-	-	62,982	62,982	1,594	64,576
Final 2013 dividend declared and paid	-	-	-	-	-	-	-	(21,748)	(21,748)	-	(21,748)
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(8,960)	(8,960)
Transfer to statutory surplus reserve	-	-	-	-	857	-	-	(857)	-	-	-
At 30 June 2014 (Unaudited)	86,992	446,105	290	104,804	43,357	(9,360)	327,657	1,008,120	2,007,965	47,841	2,055,806

* 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 2014

	Six months ended 30 June 2014 HK\$'000 (Unaudited)	Six months ended 30 June 2013 HK\$'000 (Unaudited)
NET CASH FLOW FROM OPERATING ACTIVITIES	166,011	183,006
NET CASH FLOW USED IN INVESTING ACTIVITIES	(197,573)	(177,860)
NET CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES	223,690	(40,619)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	192,128	(35,473)
Cash and cash equivalents at beginning of period	554,879	494,648
CASH AND CASH EQUIVALENTS AT END OF PERIOD	747,007	459,175
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	747,007	459,175



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 2013.

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 2014. 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 2014 (Unaudited)				
Segment revenue:				
Revenue from external customers	1,913,234	-	-	1,913,234
Intersegment revenue	-	-	-	-
	1,913,234	-	-	1,913,234
Elimination of intersegment revenue				-
Total revenue				1,913,234
Segment profits/(losses)	107,134	(2,633)	422	104,923
Bank interest income	1,056	3	-	1,059
Finance costs	(28,312)	-	-	(28,312)
Share of profits less losses of a joint venture	(1,629)	-	-	(1,629)
Share of profits less losses of an associate	-	-	357	357
Profit/(loss) before tax	78,249	(2,630)	779	76,398
Income tax expense	(11,756)	-	(66)	(11,822)
Profit/(loss) for the period	66,493	(2,630)	713	64,576
As at 30 June 2014 (Unaudited)				
Assets and liabilities				
Segment assets	4,778,985	1,981	5,040	4,786,006
Interest in a joint venture	19,998	-	-	19,998
Interest in an associate	-	-	47,144	47,144
Deferred tax assets	6,979	-	-	6,979
Total assets	4,805,962	1,981	52,184	4,860,127
Segment liabilities	2,799,329	202	3,823	2,803,354
Deferred tax liabilities	967	-	-	967
Total liabilities	2,800,296	202	3,823	2,804,321
Other segment information:				
Six months ended 30 June 2014 (Unaudited)				
Depreciation and amortisation	145,168	28	2	145,198
Capital expenditure	159,757	-	-	159,757

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 joint venture	(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 31 December 2013 (Audited)				
Assets and liabilities				
Segment assets	4,361,722	10,302	3,683	4,375,707
Interest in a joint venture	21,627	–	–	21,627
Interest in an associate	–	–	46,787	46,787
Deferred tax assets	5,835	–	–	5,835
Total assets	4,389,184	10,302	50,470	4,449,956
Segment liabilities	2,421,946	722	4,448	2,427,116
Deferred tax liabilities	902	–	–	902
Total liabilities	2,422,848	722	4,448	2,428,018
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)

Geographical information

(a) Revenue from external customers

	Six months ended 30 June 2014 HK\$'000 (Unaudited)	Six months ended 30 June 2013 HK\$'000 (Unaudited)
Singapore	454,175	505,898
Korea	430,051	430,800
Hong Kong	334,662	352,196
Taiwan	223,389	151,443
Mainland China	220,653	156,517
Others	250,304	460,561
	1,913,234	2,057,415

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

(b) Non-current assets

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Mainland China	2,121,002	2,113,371
Hong Kong	87,624	89,404
Singapore	115	139
Others	696	839
	2,209,437	2,203,753

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

2. OPERATING SEGMENT INFORMATION (continued)

Information about a major customer

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

3. REVENUE, OTHER INCOME AND GAINS, NET

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

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

	Six months ended 30 June 2014 HK\$'000 (Unaudited)	Six months ended 30 June 2013 HK\$'000 (Unaudited)
Revenue		
Production and sale of knitted fabric, dyed yarn and provision of related subcontracting services	1,913,234	1,990,173
Production and sale of garment products and provision of related subcontracting services	-	67,242
	1,913,234	2,057,415

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

	Six months ended 30 June 2014 HK\$'000 (Unaudited)	Six months ended 30 June 2013 HK\$'000 (Unaudited)
Other income		
Fee income from freight handling services	4,207	4,281
Bank interest income	1,059	1,583
Gross rental income	164	228
Others	8,758	8,358
	14,188	14,450
Gains, net		
Fair value gains/(losses), net:		
Equity investment at fair value through profit or loss – held for trading	(9)	(187)
Derivative financial instruments – transactions not qualified as hedges but matured during the period	(633)	907
Derivative financial instruments – transactions not qualified as hedges and not yet matured	(4,536)	(1,996)
	(5,178)	(1,276)
Other income and gains, net	9,010	13,174

4. PROFIT BEFORE TAX

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

	Six months ended 30 June 2014 HK\$'000 (Unaudited)	Six months ended 30 June 2013 HK\$'000 (Unaudited)
Cost of inventories sold and services provided	1,596,294	1,702,908
Research and development costs	5,911	3,481
Depreciation of items of property, plant and equipment	144,286	125,880
Amortisation of prepaid land lease payments	912	912
Employee benefits expense (including directors' remuneration):		
Wages and salaries	201,758	191,811
Pension scheme contributions	8,685	8,433
	210,443	200,244
Minimum lease payments under operating leases in respect of land and buildings	4,402	3,957
Loss/(gain) on disposal of items of property, plant and equipment	805	(49)
Impairment of accounts receivable	1,080	3,763
Write-back of impairment allowance for accounts receivable	(1,873)	(343)
Fair value losses/(gains), net:		
Equity investment at fair value through profit or loss – held for trading	9	187
Derivative financial instruments – transactions not qualified as hedges but matured during the period	633	(907)
Derivative financial instruments – transactions not qualified as hedges and not yet matured	4,536	1,996
Foreign exchange differences, net	2,434	3,495

5. INCOME TAX

	Six months ended 30 June 2014 HK\$'000 (Unaudited)	Six months ended 30 June 2013 HK\$'000 (Unaudited)
Current tax – Hong Kong		
Charge for the period	5,096	9,219
Current tax – Elsewhere		
Charge for the period	6,962	4,992
Underprovision in prior years	843	–
Deferred tax (credit)/expenses	(1,079)	304
Total tax charge for the period	11,822	14,515

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 2013: 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 2013: 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\$62,982,000 (six months ended 30 June 2013: HK\$72,573,000), and the number of 869,919,000 (six months ended 30 June 2013: 869,919,000) ordinary shares in issue during the Period.

Diluted earning per share for the periods ended 30 June 2014 and 30 June 2013 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 2014 are analysed as follows:

	HK\$'000
At 1 January 2014 (Audited)	2,022,956
Additions/Transfers	159,757
Disposals	(1,911)
Depreciation	<u>(144,286)</u>
At 30 June 2014 (Unaudited)	<u>2,036,516</u>

As at 30 June 2014, 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\$6.8 million (31 December 2013: HK\$7.1 million) and HK\$89.6 million (31 December 2013: HK\$76.1 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.

9. ACCOUNTS AND BILLS RECEIVABLE (continued)

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

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Within 1 month	345,816	276,323
1 to 2 months	167,754	176,568
Over 2 months	184,969	197,274
	698,539	650,165

Included in the above accounts and bills receivable as at 30 June 2014, amounts totaling HK\$2,748,000 (31 December 2013: Nil) were discounted to banks in exchange for cash and included as "Bank advances for discounted bills" on the face of the condensed consolidated statement of financial position.

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 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Within 3 months	549,557	483,938
3 to 6 months	137,608	69,456
Over 6 months	3,810	2,909
	690,975	556,303

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 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Contracted but not provided for:		
Purchases of machinery	12,513	22,838
Construction in progress	31,127	21,037
	43,640	43,875

The Group had outstanding commitments amounted to HK\$129,090,000 (31 December 2013: HK\$342,606,000) 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 2014 HK\$'000 (Unaudited)	Six months ended 30 June 2013 HK\$'000 (Unaudited)
Rental expenses on office premises and staff quarters paid to Tai Chin Chun and Tai Chin Wen	(i)	417	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	228
Sales of raw materials to a joint venture	(iv)	–	7,110
Purchases of yarns from a joint venture	(v)	–	19,623

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\$45,000 and HK\$24,500, respectively, starting from 1 January 2014 for terms of two years, 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 rental of approximately HK\$18,750 for terms of three years, based on the terms mutually agreed by both parties.

12. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

Notes: (continued)

- (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 spaces at monthly rentals of HK\$38,000 for a term of three years starting from 1 January 2013, based on the then prevailing market rentals.
 - (iv) The sales of raw materials to the joint venture was determined based on the terms mutually agreed by both parties.
 - (v) The cost of purchases of yarns from the joint venture 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\$2.6 million (31 December 2013: HK\$2.7 million) as at 30 June 2014.

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 joint venture and associate as at the end of the reporting period are unsecured, interest-free and have no fixed terms of repayment.

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

	Six months ended 30 June 2014 HK\$'000 (Unaudited)	Six months ended 30 June 2013 HK\$'000 (Unaudited)
Short-term employee benefits	17,535	16,397
Post-employment benefits	130	128
	17,665	16,525



13. TRANSFERS OF FINANCIAL ASSETS

At 30 June 2014, 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 RMB37,373,000 (31 December 2013: RMB17,054,000). 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 2014 and 30 June 2013, 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 2014 and 30 June 2013.

14. EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, on 21 August 2014, the Group entered into an agreement to dispose of its 25% equity interest in Honghu Xing Ye Textile Co., Ltd. at a cash consideration of RMB26,000,000. It is preliminarily estimated that a gain on disposal of approximately HK\$12.5 million will be resulted.

15. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 22 August 2014.