



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



2015
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

Workshop A on 23rd Floor
TML Tower
3 Hoi Shing Road
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 2015 (the “Period”). The interim financial information is not audited but has been reviewed by the Audit Committee of the Company.

Business Review

For the six months ended 30 June 2015, the operating environment for the Chinese textile and garment industry continued to be challenging. Domestically, China's economy maintained at a relatively low growth pace of 7.0% in the first two quarters, the lowest since 2009, whilst the economy of the Group's major export market, the United States (“the U.S.”) kept on with its slow recovery. As indicated by University of Michigan Consumer Confidence Index, consumer sentiment registered at a high level of over 90 from January to June 2015, and the import of textile and apparel products grew by 4.7%. As a result of the Group's ongoing efforts to strengthen its competitiveness and secure its market position throughout the ongoing market consolidation, the Group has sustained its performance during the Period.

During the Period, textile manufacturing remained the principal operation of the Group. The new cotton policy implemented at the beginning of 2014 has resulted in the continued drop in domestic cotton price during the Period. The decrease in cotton price had thus affected the average selling price of the Group's textile products. However, the increase in output volume had offset the product price effect and contributed to the growth of the Group's revenue.

For the six months ended 30 June 2015, the Group's overall revenue increased by approximately 9.4% to approximately HK\$2,093.2 million (six months ended 30 June 2014: approximately HK\$1,913.2 million). Gross profit increased by approximately 4.1% to HK\$330.0 million (six months ended 30 June 2014: approximately HK\$316.9 million), while net profit attributable to ordinary equity holders of the Company slightly increased to approximately HK\$64.2 million (six months ended 30 June 2014: approximately HK\$63.0 million). Earnings per share is HK7.4 cents (six months ended 30 June 2014: HK7.2 cents).



Business Review (continued)

In an effort to counter the volatility of different markets, the Group has been working on the optimisation of its business portfolio, namely the diversification of end export markets and product mix. During the Period, the U.S. remained the Group's major export market. However, owing to the Group's tenacious endeavours to penetrate into markets other than the U.S., revenue contribution from China, Europe and Japan increased during the Period.

As mentioned above, the Group has also been devoting extensive resources to enrich its product mix to cater for the ever-changing market trends. In particular, the Group has invested substantial resources to enrich its traditional core textile business, such as improving operating efficiency and cost effectiveness. Furthermore, the management has dedicated persistent efforts to the research and development ("R&D") of synthetic functional materials in recent years, the production of synthetic fiber and printed fabrics has brought synergy to the Group's traditional cotton textile products and allowed the Group to offer a diverse range of products. Such enhanced product offerings enable the Group to capture bundled orders from customers and provide customers with convenience. The production reliability as well as product quality of the Group have received positive acclaim from brand name customers. The commercialisation of these fabrics perfectly demonstrates the Group's R&D and execution capabilities to adapt to changes in market dynamics and deliver quality products that are of great demand. The Group will continue to stay tuned to market trends and pilot further R&D of new products to widen its product offerings.

Prospects

Facing the improving operating environment in China and the U.S., the Group is optimistic about the outlook of the textile industry for the rest of 2015. The sizable order book and the recognition from customers following the production of synthetic fiber and printed fabrics have affirmed the Group's confidence in these new products. The Group believes that they will continue to make greater contribution to the Group's earnings in the near future.

To further strengthen its position as an integrated textile solutions provider, the Group plans to expand its new fabric knitting production base at its Enping plant. Its close proximity with the existing production facilities of the downstream fabric dyeing and printing productions in Enping will form a one-stop production chain that would help save logistics time and costs, and result in greater operating efficiency and synergy. Construction of the new facility is expected to be completed by the end of 2015 and production will commence in early 2016.

Prospects (continued)

In August 2015, Renminbi (RMB) has undergone a strategic depreciation by around 3%. After careful review and assessment, the depreciation will only pose limited impacts on the Group's operations. The strategic move on increasing sales from China domestic market will have an unfavourable impact as the revenue therefrom is receivable in RMB. However, RMB depreciation will lower overall production costs of the Group's manufacturing bases in China. These effects, when translated into Hong Kong dollars, the Company's presentation currency, are expected to compensate each other on Group's profit or loss. The management shall closely monitor the trend on the exchange rate of RMB, and determine appropriate policies when necessary.

In June 2015, the U.S. Senate has granted President Obama the authority to expedite trade agreements, including Trans-Pacific Partnership. In view of the favourable trading terms, such as duty free export to the U.S., Europe and ASEAN countries, the Group is exploring the feasibility to form a strategic cooperation with the Group's downstream manufacturers to establish a one-stop textile and garment supply chain in Vietnam. With the determination to transform itself into a leading integrated fabric solutions provider, the Group will deploy measures to elevate its competitiveness and maintain a sustainable development pipeline to create greater values for its shareholders.

Financial Review

Revenue

Overall sales turnover amounted to approximately HK\$2,093.2 million, representing an increase of approximately 9.4% as compared with the corresponding period last year (six months ended 30 June 2014: approximately HK\$1,913.2 million). The increase was mainly attributable to the increase in output volume during the Period on the back of a stabilising operating environment.

Gross Profit and Gross Profit Margin

Gross profit was approximately HK\$330.0 million, representing an increase of approximately 4.1% from the corresponding period last year (six months ended 30 June 2014: approximately HK\$316.9 million). Gross profit margin decreased slightly to approximately 15.8% (six months ended 30 June 2014: approximately 16.6%), which was attributable to the increase in salaries and the manufacturing overheads and the drop in average selling price of our products due to the drop in cotton price.



Financial Review (continued)

Selling and Distribution Expenses

Selling and distribution expenses for the Period increased approximately HK\$67.1 million (six months ended 30 June 2014: approximately HK\$52.8 million), which was primarily attributable to the increase in logistics cost. Administrative expenses, which included salaries, depreciation and other related expenses, increased to approximately HK\$170.1 million (six months ended 30 June 2014: approximately HK\$164.7 million) mainly attributable to the increase of salaries and depreciation.

Net Profit and Net Profit Margin

Net profit attributable to ordinary equity holders of the Company for the Period was approximately HK\$64.2 million, representing an increase of approximately 1.9% from the corresponding period last year (six months ended 30 June 2014: approximately HK\$63.0 million).

Liquidity, Financial Resources and Capital Structure

As at 30 June 2015, the Group's net current assets were approximately HK\$433.9 million (31 December 2014: approximately HK\$602.0 million). The decrease in net current asset was mainly due to reclassification of the first repayment of syndicated loan in August 2015 to current liabilities. The Group will constantly review its financial position and improve the gearing ratio in order to maintain a healthy financial position by financing its operations from internally generated resources and long-term bank loans. As at 30 June 2015, the Group had cash and cash equivalents of approximately HK\$531.8 million (31 December 2014: approximately HK\$487.3 million). Current ratio was approximately 1.2 times (31 December 2014: approximately 1.3 times).

As at 30 June 2015, total bank and other borrowings of the Group were approximately HK\$1,896.2 million (31 December 2014: approximately HK\$1,779.9 million). The Group's net debt gearing ratio (net debt divided by the sum of equity and net debt) was at a healthy level of approximately 51.3% (31 December 2014: approximately 50.6%). Net debt comprises all interest-bearing bank and other borrowings, accounts and bills payable, an amount due to an associate, and accrued liabilities and other payables less cash and cash equivalents. Total equity comprises owners' equity as stated in the consolidated financial statement.

Liquidity, Financial Resources and Capital Structure (continued)

As at 30 June 2015, the Group's long-term loans were approximately HK\$600.5 million (31 December 2014: approximately HK\$827.8 million), comprising syndicated loan and term loans from banks of approximately HK\$600.5 million (31 December 2014: approximately HK\$827.7 million) and no long-term finance lease payable (2014: approximately HK\$0.1 million). The decrease in long-term loan was mainly due to the reclassification of the first repayment of syndicated loan in August 2015 to current liabilities.

A new facility agreement was entered into in August 2015 pursuant to which a 3.5-year term loan facility of HK\$1,000.0 million is made available to the Group to repay the existing term loan facility. Due to the refinancing exercise, the interest-bearing bank and other borrowings which are classified as current liabilities will be replaced by such long term loans and this helps to notably improve the liquidity and current ratio of the Group.

Foreign Exchange Risk and Interest Rate Risk

Approximately 68.1% (six months ended 30 June 2014: approximately 70.6%) of the Group's sales was denominated in United States dollars. The remaining sales were denominated in Hong Kong dollars and Renminbi. The majority of the Group's costs of sales were 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 to the Renminbi. The currency exposures of other currencies were immaterial on our cost structure. The management closely monitors the foreign exchange movements and determines the appropriate hedging activities when necessary.

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

Charge of Group's Assets

As at 30 June 2015, certain items of property, plant and equipment of the Group with an aggregate net book value of HK\$53.5 million (31 December 2014: HK\$55.3 million) were under finance leases.



Capital Expenditure

During the Period, the Group invested approximately HK\$182.1 million (six months ended 30 June 2014: approximately HK\$159.8 million) in capital expenditure of which approximately 84.9% (six months ended 30 June 2014: approximately 95.9 %) was used for the purchase of plant and machinery, and the remaining was used for the purchase of other property, plant and equipment and additions in prepaid land lease payment.

As at 30 June 2015, the Group had capital commitments of approximately HK\$94.5 million (31 December 2014: approximately HK\$58.8 million) in property, plant and equipment. All are funded or will be funded by internal resources and bank borrowings.

Contingent Liabilities

As at 30 June 2015, the Group did not have any significant contingent liabilities (31 December 2014: Nil).

Material Acquisition and Disposal

There was no material acquisition and disposal of subsidiaries and associated companies by the Group during the Period.

Staff Policy

The Group had 6,206 (31 December 2014: 6,020) employees in the PRC and 166 (31 December 2014: 171) employees in Hong Kong, Macau, Singapore, Korea and Madagascar as at 30 June 2015. Remuneration packages are generally structured by reference to market terms and individual qualification. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Discretionary bonuses are offered to the Group's staff depending on their performance and the results of the Group. The Group also participates in various defined contribution plans and insurance schemes in compliance with its statutory obligations under the laws and regulations of various locations worldwide.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the Period (six months ended 30 June 2014: 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 was 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.

The above loan facility will be repaid in full in September 2015 by another loan facility in an aggregate sum of HK\$1,000.0 million with the same term and the same event of default clause disclosed above. Please refer to the announcement of the Company dated 25 August 2015 for details.

Directors' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2015, 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:

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

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

Notes:

- 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.
- 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.
- Ms. Cheung So Wan is deemed to be interested in the shares held by her spouse, Mr. Tai Chin Chun, under the SFO.
- Ms. Wong Siu Yuk is deemed to be interested in the shares held by her spouse, Mr. Tai Chin Wen, under the SFO.

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

Save as disclosed above, as at 30 June 2015, none of the directors nor the chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Option Scheme

The Company adopted a share option scheme (the "Scheme") on 9 June 2014 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. 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.

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.



Share Option Scheme (continued)

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.

As at 30 June 2015, no share options had been granted under the Scheme and there was no outstanding share option.

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 2015, 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 2015, 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 41 to the financial statements of the Group for the year ended 31 December 2014 in the annual report for 2014, (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 interim 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 28 August 2015.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2015

	Notes	Six months ended 30 June 2015 HK\$'000 (Unaudited)	Six months ended 30 June 2014 HK\$'000 (Unaudited)
REVENUE	2, 3	2,093,216	1,913,234
Cost of sales		(1,763,173)	(1,596,294)
Gross profit		330,043	316,940
Other income and gains, net	3	16,895	9,010
Selling and distribution expenses		(67,078)	(52,823)
Administrative expenses		(170,106)	(164,699)
Other operating expenses, net		(692)	(2,446)
Finance costs		(26,759)	(28,312)
Share of profits less losses of a joint venture		–	(1,629)
Share of profits less losses of an associate		(654)	357
PROFIT BEFORE TAX	4	81,649	76,398
Income tax expense	5	(13,947)	(11,822)
PROFIT FOR THE PERIOD		67,702	64,576
Attributable to:			
Ordinary equity holders of the Company		64,159	62,982
Non-controlling interests		3,543	1,594
		67,702	64,576
Interim dividend	6	Nil	Nil
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	7	HK7.4 cents	HK7.2 cents
Diluted	7	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	Six months ended 30 June 2015 HK\$'000 (Unaudited)	Six months ended 30 June 2014 HK\$'000 (Unaudited)
PROFIT FOR THE PERIOD	67,702	64,576
OTHER COMPREHENSIVE INCOME	–	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	67,702	64,576
Attributable to:		
Ordinary equity holders of the Company	64,159	62,982
Non-controlling interests	3,543	1,594
	67,702	64,576

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Notes	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	2,128,458	2,106,533
Prepaid land lease payments		65,952	65,615
Interest in a joint venture		–	–
Interest in an associate		41,498	42,152
Prepayments		8,671	14,271
Long term receivables		29,324	29,324
Deposits paid		24,263	32,863
Deferred tax assets		8,432	8,931
Total non-current assets		2,306,598	2,299,689
CURRENT ASSETS			
Inventories		1,070,942	960,942
Accounts and bills receivable	9	901,844	821,046
Prepayments, deposits and other receivables		80,123	80,902
Equity investment at fair value through profit or loss		282	301
Due from a joint venture		–	–
Tax recoverable		–	5,772
Pledged deposits		8,629	11,319
Cash and cash equivalents		531,829	487,283
Total current assets		2,593,649	2,367,565

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2015

	Notes	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
CURRENT LIABILITIES			
Accounts and bills payable	10	683,651	612,358
Accrued liabilities and other payables		147,890	165,034
Derivative financial instruments		1,474	3,569
Due to an associate		3,092	3,102
Tax payable		28,018	29,409
Interest-bearing bank and other borrowings		1,295,670	952,069
Total current liabilities		2,159,795	1,765,541
NET CURRENT ASSETS			
		433,854	602,024
TOTAL ASSETS LESS CURRENT LIABILITIES			
		2,740,452	2,901,713
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		600,519	827,842
Deferred tax liabilities		1,016	175
Total non-current liabilities		601,535	828,017
Net assets		2,138,917	2,073,696
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital		86,992	86,992
Reserves		2,003,205	1,939,046
		2,090,197	2,026,038
Non-controlling interests			
		48,720	47,658
Total equity		2,138,917	2,073,696

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Attributable to ordinary equity holders of the Company										
	Issued capital	Share premium account	Share option reserve	Capital reserve	Statutory surplus reserve	Other reserve	Fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
At 1 January 2014	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	86,992	446,105	290	104,804	43,357	(9,360)	327,657	1,008,120	2,007,965	47,841	2,055,806
At 1 January 2015	86,992	446,105	-	104,804	45,137	(9,360)	327,657	1,024,703	2,026,038	47,658	2,073,696
Total comprehensive income for the period	-	-	-	-	-	-	-	64,159	64,159	3,543	67,702
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(2,481)	(2,481)
Transfer to statutory surplus reserve	-	-	-	-	1,959	-	-	(1,959)	-	-	-
At 30 June 2015	86,992	446,105	-	104,804	47,096	(9,360)	327,657	1,086,903	2,090,197	48,720	2,138,917

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Six months ended 30 June 2015 HK\$'000 (Unaudited)	Six months ended 30 June 2014 HK\$'000 (Unaudited)
NET CASH FLOW FROM OPERATING ACTIVITIES	109,357	166,011
Purchases of items of property, plant and equipment	(180,855)	(159,756)
Other cash flow arising from /(used in) investing activities	4,676	(37,817)
NET CASH FLOW USED IN INVESTING ACTIVITIES	(176,179)	(197,573)
Drawdown of bank loans	1,270,978	1,654,390
Repayment of bank loans	(1,153,419)	(1,393,298)
Other cash flow used in financing activities	(6,191)	(37,402)
NET CASH FLOW FROM FINANCING ACTIVITIES	111,368	223,690
NET INCREASE IN CASH AND CASH EQUIVALENTS	44,546	192,128
Cash and cash equivalents at beginning of period	487,283	554,879
CASH AND CASH EQUIVALENTS AT END OF PERIOD	531,829	747,007
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	531,829	747,007

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 2014.

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 2015. 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

Change in operating segments

The Group's operating segments are Fabric products and Others. Previously, the Group's operating segments were reported as Fabric products, Garment products and Others. Garment products is no longer regarded as separate reportable operating segment, having considered the financial information presented to the management. Comparative financial information has been re-presented accordingly.

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

- (a) the fabric products segment engages in the production and sale of knitted fabric and dyed yarn and provision of related subcontracting services; and
- (b) the "others" segment includes the production and sales of garment products and provision of related subcontracting services and 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	Others HK\$'000	Total HK\$'000
Six months ended 30 June 2015 (Unaudited)			
Segment revenue:			
Revenue from external customers	2,093,216	–	2,093,216
Segment profits/(losses)	108,862	(449)	108,413
Bank interest income	648	1	649
Finance costs	(26,759)	–	(26,759)
Share of profits less losses of an associate	–	(654)	(654)
Profit/(loss) before tax	82,751	(1,102)	81,649
Income tax expense	(13,947)	–	(13,947)
Profit/(loss) for the period	68,804	(1,102)	67,702
As at 30 June 2015 (Unaudited)			
Assets and liabilities			
Segment assets	4,843,144	7,173	4,850,317
Interest in an associate	–	41,498	41,498
Deferred tax assets	8,432	–	8,432
Total assets	4,851,576	48,671	4,900,247
Segment liabilities	2,755,238	5,076	2,760,314
Deferred tax liabilities	1,016	–	1,016
Total liabilities	2,756,254	5,076	2,761,330
Other segment information:			
Six months ended 30 June 2015 (Unaudited)			
Depreciation and amortisation	159,733	27	159,760
Capital expenditure	182,105	–	182,105

2. OPERATING SEGMENT INFORMATION (continued)

	Fabric HK\$'000	Others HK\$'000 (Restated)	Total HK\$'000
Six months ended 30 June 2014			
(Unaudited)			
Segment revenue:			
Revenue from external customers	1,913,234	–	1,913,234
Segment profits/(losses)	107,134	(2,211)	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	(1,851)	76,398
Income tax expense	(11,756)	(66)	(11,822)
Profit/(loss) for the period	66,493	(1,917)	64,576
As at 31 December 2014			
(Audited)			
Assets and liabilities			
Segment assets	4,608,756	7,415	4,616,171
Interest in an associate	–	42,152	42,152
Deferred tax assets	8,931	–	8,931
Total assets	4,617,687	49,567	4,667,254
Segment liabilities	2,588,621	4,762	2,593,383
Deferred tax liabilities	175	–	175
Total liabilities	2,588,796	4,762	2,593,558
Other segment information:			
Six months ended 30 June 2014			
(Unaudited)			
Depreciation and amortisation	145,168	30	145,198
Capital expenditure	159,757	–	159,757

2. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	Six months ended 30 June 2015 HK\$'000 (Unaudited)	Six months ended 30 June 2014 HK\$'000 (Unaudited)
Korea	425,014	430,051
Mainland China	337,856	220,653
Hong Kong	330,230	334,662
Singapore	274,707	454,175
Taiwan	266,898	223,389
Others	458,511	250,304
	2,093,216	1,913,234

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

(b) Non-current assets

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Mainland China	2,126,662	2,122,196
Hong Kong	141,502	138,481
Singapore	87	114
Others	591	643
	2,268,842	2,261,434

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

2. OPERATING SEGMENT INFORMATION (continued)

Information about a major customer

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 2015 HK\$'000 (Unaudited)	Six months ended 30 June 2014 HK\$'000 (Unaudited)
Revenue		
Production and sale of knitted fabric and dyed yarn and provision of related subcontracting services	2,093,216	1,913,234

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

	Six months ended 30 June 2015 HK\$'000 (Unaudited)	Six months ended 30 June 2014 HK\$'000 (Unaudited)
Other income		
Fee income from freight handling services	4,093	4,207
Bank interest income	649	1,059
Gross rental income	194	164
Others	10,429	8,758
	15,365	14,188
Gains, net		
Fair value gains/(losses), net:		
Equity investment at fair value through profit or loss – held for trading	(19)	(9)
Derivative financial instruments – transactions not qualified as hedges but matured during the period	3,022	(633)
Derivative financial instruments – transactions not qualified as hedges and not yet matured	(1,473)	(4,536)
	1,530	(5,178)
Other income and gains, net	16,895	9,010

4. PROFIT BEFORE TAX

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

	Six months ended 30 June 2015 HK\$'000 (Unaudited)	Six months ended 30 June 2014 HK\$'000 (Unaudited)
Cost of inventories sold and services provided	1,763,173	1,596,294
Research and development costs	6,169	5,911
Depreciation of items of property, plant and equipment	158,848	144,286
Amortisation of prepaid land lease payments	912	912
Employee benefits expense (including directors' remuneration):		
Wages and salaries	225,381	201,758
Pension scheme contributions	23,357	8,685
	248,738	210,443
Minimum lease payments under operating leases in respect of land and buildings	4,758	4,402
(Gain)/loss on disposal of items of property, plant and equipment	(1,914)	805
Impairment of accounts receivable	1,422	1,080
Write-back of impairment allowance for accounts receivable	(24)	(1,873)
Fair value losses/(gains), net:		
Equity investment at fair value through profit or loss – held for trading	19	9
Derivative financial instruments – transactions not qualified as hedges but matured during the period	(3,022)	633
Derivative financial instruments – transactions not qualified as hedges and not yet matured	1,473	4,536
Foreign exchange differences, net	1,196	2,434

5. INCOME TAX

	Six months ended 30 June 2015 HK\$'000 (Unaudited)	Six months ended 30 June 2014 HK\$'000 (Unaudited)
Current tax – Hong Kong		
Charge for the period	4,458	5,096
Current tax – Elsewhere		
Charge for the period	8,148	6,962
Underprovision in prior years	–	843
Deferred tax expenses/(credit)	1,341	(1,079)
Total tax charge for the period	13,947	11,822

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 2014: 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 2014: 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\$64,159,000 (six months ended 30 June 2014: HK\$62,982,000), and the number of 869,919,000 (six months ended 30 June 2014: 869,919,000) ordinary shares in issue during the Period.

The Group had no potentially dilutive ordinary shares in issue during the Period. (No adjustment has been made to the basic earnings per share amounts presented for the period ended 30 June 2014 in respect of a dilution as the share options outstanding had no dilutive effect on the basic earnings per share amounts presented.)

8. PROPERTY, PLANT AND EQUIPMENT

The changes in the net book value of property, plant and equipment for the six months ended 30 June 2015 are analysed as follows:

	HK\$'000
At 1 January 2015 (Audited)	2,106,533
Additions/Transfers	180,855
Disposals	(82)
Depreciation	<u>(158,848)</u>
At 30 June 2015 (Unaudited)	<u>2,128,458</u>

As at 30 June 2015, the Group was in the process of applying the building ownership certificates in respect of certain self-used properties with net book value of approximately HK\$10.3 million (31 December 2014: HK\$6.5 million) and approximately HK\$107.4 million (31 December 2014: HK\$102.9 million) situated in Panyu and En Ping, 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 three months and are non-interest bearing (except for certain well-established customers with strong financial strength, good repayment history and creditworthiness, where the credit terms are extended to six months). The Group seeks to maintain strict control over its outstanding receivable and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's accounts and bills 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 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Within 1 month	441,928	341,559
1 to 2 months	197,470	212,465
2 to 3 months	143,053	147,852
Over 3 months	119,393	119,170
	901,844	821,046

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 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Within 3 months	561,194	502,592
3 to 6 months	121,838	105,981
Over 6 months	619	3,785
	683,651	612,358

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

11. COMMITMENTS

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

Capital commitments

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Contracted but not provided for:		
Purchases of machinery	45,988	26,200
Construction in progress	48,470	32,611
	94,458	58,811

The Group had outstanding commitments amounted to HK\$132,227,000 (31 December 2014: HK\$283,180,000) 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 2015 HK\$'000 (Unaudited)	Six months ended 30 June 2014 HK\$'000 (Unaudited)
Rental expenses on office premises and staff quarters paid to Tai Chin Chun and Tai Chin Wen	(i)	417	417
Rental expenses on staff quarters paid to Cheung So Wan and Wong Siu Yuk	(ii)	113	113
Rental expenses on an office premise and two car park spaces paid to Chin Tai Wing	(iii)	228	228

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.

(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\$2.3 million (31 December 2014: HK\$2.4 million) as at 30 June 2015.

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 party:

Details of the Group's balances with its associate as at the end of the reporting period is unsecured, interest-free and has no fixed terms of repayment.

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

	Six months ended 30 June 2015 HK\$'000 (Unaudited)	Six months ended 30 June 2014 HK\$'000 (Unaudited)
Short-term employee benefits	15,699	17,535
Post-employment benefits	134	130
	15,833	17,665

13. TRANSFERS OF FINANCIAL ASSETS

Transferred financial assets that are not derecognised in their entirety

At 30 June 2015, the Group endorsed certain bank bills receivable in the PRC (the “Endorsed Bills”) with a carrying amount of RMB66,089,000 (equivalent to HK\$82,611,000) (2014: RMB23,043,000 (equivalent to HK\$28,804,000)) to certain suppliers in order to settle the accounts payable due to such suppliers (the “Endorsement”). In the opinion of the directors, the Group has retained the substantial risk and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated accounts payable settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of accounts payable settled by the Endorsed Bills during the Period to which the suppliers have recourse was RMB66,089,000 (equivalent to HK\$82,611,000) (2014: RMB23,043,000 (equivalent to HK\$28,804,000)) as at 30 June 2015.

Transferred financial assets that are derecognised in their entirety

At 30 June 2015, 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 RMB14,275,000 (equivalent to HK\$17,844,000) (2014: RMB18,570,000 (equivalent to HK\$23,213,000)). The Derecognised Bills have a remaining maturity from one to four 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 risk 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 is equal to their carrying amounts. In the opinion of the directors of the Company, the fair values of the Group’s Continuing Involvement in the Derecognised Bills are not significant.



13. TRANSFERS OF FINANCIAL ASSETS (continued)

Transferred financial assets that are derecognised in their entirety (continued)

During the periods ended 30 June 2015 and 30 June 2014, 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 2015 and 30 June 2014.

14. COMPARATIVE AMOUNTS

As explained in note 2 to the financial statements, due to the change of operating segments during the current period, certain comparative amounts have been restated to conform with the current period's presentation.

15. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 28 August 2015.