



KAM HING INTERNATIONAL HOLDINGS LIMITED

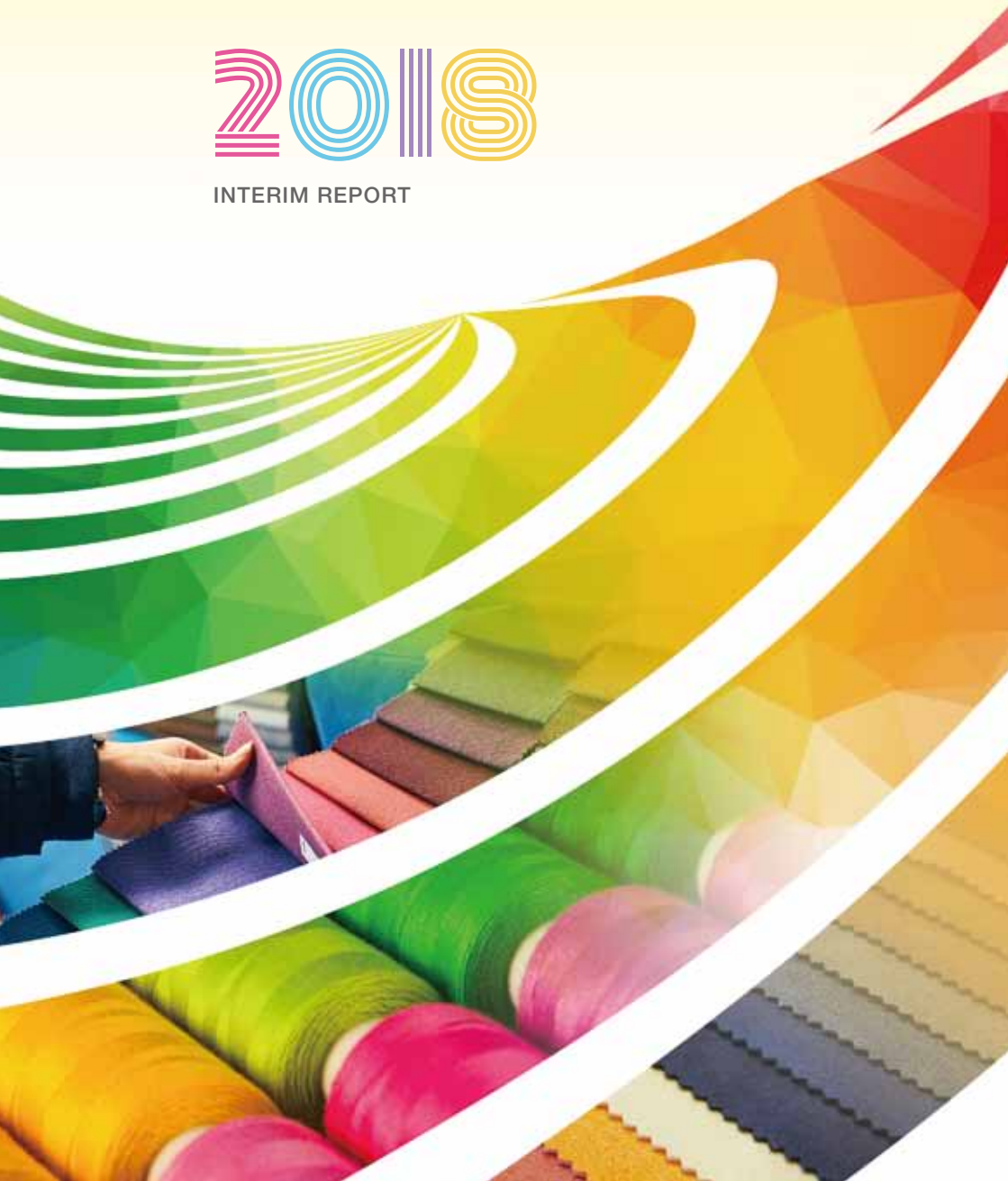
錦興國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 02307

2018

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

Non-Executive Director

Dr. Wong Wai Kong

Independent Non-Executive
Directors

Mr. Ho Gilbert Chi Hang

Mr. Ting Kay Loong

Mr. Wu Tak Lung

Audit Committee

Mr. Wu Tak Lung (*Chairman*)

Mr. Ho Gilbert Chi Hang

Mr. Ting Kay Loong

Remuneration Committee

Mr. Ting Kay Loong (*Chairman*)

Mr. Ho Gilbert Chi Hang

Mr. Wu Tak Lung

Nomination Committee

Mr. Ho Gilbert Chi Hang (*Chairman*)

Mr. Ting Kay Loong

Mr. Wu Tak Lung

Company Secretary

Mr. Lei Heong Man

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

23A, TML Tower

No. 3 Hoi Shing Road

Tsuen Wan

New Territories

Hong Kong

Principal Share Registrar and Transfer Office in Cayman Islands

Conyers Trust Company (Cayman) Limited

Cricket Square

Hutchins Drive

P. O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Branch Share Registrar and Transfer Office in Hong Kong

Tricor Investor Services Limited

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 2018 (the “Period”). The interim financial information is not audited but has been reviewed by the Audit Committee of the Company.

Market Review

In the first half of 2018, frequent global economic activities resumed under the backdrop of rebounding trade, favourable financial conditions and positive consumer sentiment. For the Group’s largest end-market in fabric business, the United States (the “U.S.”) experienced a strong economic growth with the highest consumer confidence since 2008. The index of consumer sentiment hit an average of 98.6 for the first six months in 2018 whereas the index was 63.7 in 2008. The unemployment rate also reached the lowest rate of 3.9% in April 2018 since 2008. This optimism was because of the U.S. citizens’ favourable job and income prospects.

China continued to be the Group’s second largest end-market in fabric business, with revenue contribution rose to 27% from 23% in 2017. Riding on the wave of global economic recovery, China maintained its growth momentum with ongoing optimisation and upgrade of economic structure. China’s GDP growth reached 6.8% year-on-year during the Period.

Despite the robust economic recovery, dark clouds were looming with the rocky U.S.-China trade relationship towards the end of the Period. Tough talks between the U.S. and China led to rising trade tensions, in particular the U.S. was the end export market for 15.5% of total textile and garment products in China in 2017. Adhered to the strategies of maintaining high flexibility in times of dynamic market cycles and pursuing excellence in product quality and operation efficiency, the Group will continue to cautiously monitor the regional economic changes, and solidify its competitiveness as well as its leading position of an integrated textile solutions provider.

Business Overview

The Group is pleased to present a set of satisfactory results for the Period. Revenue for the Period recorded an increase of 10.9% year-on-year from HK\$1,937.2 million for six months ended 30 June 2017 to HK\$2,149.0 million for the Period, as both the sales volume and average selling price manifested increment. The augmented sales volume was a result of the ongoing market consolidation due to the tight environmental control by the China government. The Group, being one of the leading market players received strong orders over the Period and successfully raised the average selling price and profit margin of its products as a result.

For the Period, the Group's gross profit rose by 15.6% to HK\$319.5 million (six months ended 30 June 2017: HK\$276.3 million); profit attributable to the ordinary equity holders of the Company recorded a mild increase of 4.9% to HK\$53.7 million (six months ended 30 June 2017: HK\$51.2 million). The growth was partly nibbled by the increase in raw material price, distribution costs, selling expenses, staff salaries and finance costs, as well as the early investment in the new garment plant set up in Cambodia. The basic earnings per share for the Period was HK6.2 cents, increased by 5.1% when compared with HK5.9 cents in six months ended 30 June 2017.

For the Period, the geographic mix of the Group's end markets in fabric business showed slight difference from the last corresponding period. The U.S. maintained its position as the Group's primary market with 65.0% revenue contribution (six months ended 30 June 2017: 64.4%). Ranking the second, China's business grew by 25.6% to HK\$553.5 million, accounting for 26.6% of the overall revenue (six months ended 30 June 2017: 22.8%). This trend was in line with the Group's proven strategy to diversify its customers and to put stronger focus on China's market. This year, the operating environment has become more complicated along with the escalating US-China trade war (the "Trade War"). Although no direct impact resulted from the Trade War at this stage, the Group purposely increased the inventory level of raw materials to mitigate the rising raw material costs early this year in order to mitigate the risk from indirect impact of the Trade War.

Business Overview (continued)

As an integrated textile solutions provider, the Group stayed concentrated on enriching its product portfolio and extending its value chain to downstream garment manufacturing. On top of the traditional textile-related products, the Group continued to strengthen its research and development in synthetic fabrics for functional garments, such as outdoor sportswear and children's wear. The Group also retapped into the garment industry by setting up a garment plant in Cambodia in 2017, which commenced full operation in early 2018. The strategic move allows the Group to offer more comprehensive textile and garment solutions to its customers and enjoy a relatively low labour costs and the duty free exports to the European Union and Canada. The plant was at a ramp-up stage in the first half of 2018 and accumulated a considerable amount of order backlogs. It is expected that the plant will operate in full capacity in the near future.

Prospects

Looking ahead to the second half of 2018, the Trade War is heating up with increasing concerns on its global impacts. President Trump of the U.S. proposed three rounds of punitive tariffs on China's imported goods worth USD 250 billion, which accounted for half of China's exports to the U.S. in 2017. In early July 2018, the U.S. government already imposed 25% tariffs on an initial \$34 billion of Chinese imports. President Trump later threatened to impose tariffs on all Chinese merchandise worth US\$505 billion, which might have tremendous impact on the global product demand and pricing.

As at the date of this report, the Group, as a fabric manufacturer, is not directly affected by the Trade War yet. However, ripple effect of the Trade War could be foreseen on the global economy, consumer sentiment and inflation in the U.S. in the next couple of months. Therefore, the Group would consider a second production base outside China for lower costs and flexible export condition.

In the face of challenging operating environment, the Group will remain a high degree of sensitivity on the market changes, while at the same time place stronger efforts on enhancing production competency through research and development, penetrating into China market and outreaching new customers in other locations. The Group will also maintain close contacts with its customers and suppliers for remedies for all possible outcomes of the Trade War.

Prospects (continued)

Since its establishment in 2017, the Group's garment factory in Cambodia has operated in a good progress with increasing order book. Its strategic location outside China also shields it from the adverse impacts of the Trade War. In view of the good prospect, the Group is making further investment in increasing its production capacity in Cambodia to accelerate the momentum.

On the other hand, the Group decided to start a property development project with its approximately 300-mu land in Enping, Guangdong province. The land will be developed by phases and in the first phase, an approximately 40-mu land will be developed into a residential project. Construction is expected to begin in late 2018 and the pre-sale will commence in 2019. The Directors anticipate that this residential property project will take advantage of the population growth anticipated in Enping and increasing traffic flow brought by the Greater Bay Area initiative promoted by the central government. With the land acquired in 2005, the low land cost provides much higher flexibility on the Group in planning and pricing for this very first property development project.

The group will build up a professional project team to monitor the project progress, and engage experience construction group as contractor on this development together with regional property agent for marketing exercise.

The Board believes that the project is in the best interest of the Company and its shareholders to rejuvenate its asset portfolio and realise the value of the land.

Financial Review

Revenue

Overall sales turnover achieved approximately HK\$2,149.0 million, representing an increase of approximately 10.9% (six months ended 30 June 2017: HK\$1,937.2 million). The increase was mainly attributable to the increase in both sales volume and average selling price.

Financial Review (continued)

Gross Profit and Gross Profit Margin

Gross profit was approximately HK\$319.5 million, representing an increase of approximately 15.6% (six months ended 30 June 2017: approximately HK\$276.3 million). Gross profit margin increased slightly to approximately 14.9% (six months ended 30 June 2017: approximately 14.3%), which was mainly attributable to increased unit price together with continuous optimisation of clientele.

Other Income and Expenses

Other income of approximately HK\$15.2 million (six months ended 30 June 2017: approximately HK\$19.6 million) mainly comprised approximately HK\$4.0 million (six months ended 30 June 2017: approximately HK\$2.5 million) from income received from sewage treatment provided, approximately HK\$3.8 million (six months ended 30 June 2017: approximately HK\$3.7 million) from fee on air and ocean freight, and approximately HK\$2.8 million (six months ended 30 June 2017: approximately HK\$1.2 million) from sales of scrap, and approximately HK\$0.7 million (six months ended 30 June 2017: approximately HK\$2.0 million) from sales of excess steam generated by the power plant to nearby facilities in the district. The remaining balance was primarily the result of rental income and bank interest income. No subsidy income from PRC government during the period (six months ended 30 June 2017: approximately HK\$7.7 million).

Selling and distribution expenses increased to approximately HK\$60.2 million (six months ended 30 June 2017: approximately HK\$52.8 million), which is in line with the increase in sales. Administrative expenses, which included salaries, depreciation, custom declaration and other related expenses, increased to approximately HK\$162.3 million (six months ended 30 June 2017: approximately HK\$148.8 million) due to the expansion of company's business.

Net Profit and Net Profit Margin

Net profit attributable to ordinary equity holders of the Company for the Period was approximately HK\$53.7 million, representing a year-on-year increase of approximately 4.9% (six months ended 30 June 2017: approximately HK\$51.2 million). The increase in net profit was mainly due to an increase in gross profit outweighed the increase in expenses. Net profit margin decreased to approximately 2.5% (six months ended 30 June 2017: approximately 2.6%).

Financial Review (continued)

Liquidity and Financial Resources

As at 30 June 2018, the Group's net current assets were approximately HK\$1,142.0 million (31 December 2017: approximately HK\$895.1 million). The increase in net current assets was mainly due to increase in inventories. As mentioned in Business Overview, the increase in inventory level is a response to the uncertainty arising from the Trade War. 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 2018, the Group had cash and cash equivalents of approximately HK\$569.7 million (31 December 2017: approximately HK\$421.7 million). Current ratio was approximately 1.6 times (31 December 2017: approximately 1.6 times).

As at 30 June 2018, total bank and other borrowings of the Group were approximately HK\$2,238.3 million (31 December 2017: approximately HK\$1,794.8 million). The Group's net debt gearing ratio (net debts divided by the sum of equity and net debts) was at approximately 54.0% (31 December 2017: approximately 52.1%). Net debts comprise 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. Sum of equity comprises owners' equity as stated in the consolidated financial statements.

Financing

As at 30 June 2018, the Group's long-term loans were approximately HK\$1,240.3 million (31 December 2017: approximately HK\$1,088.0 million), comprising syndicated loan and term loans from banks. The increase in long-term loans was mainly due to the drawdown of several term loans during the Period.

There was no equity fund raising activity during the Period and there was no utilized proceeds brought forward from any issue of equity securities made in previous financial years.

Interim Dividend

The Board has resolved not to recommend the payment of an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

Foreign Exchange Risk and Interest Rate Risk

Approximately 61.7% (six months ended 30 June 2017: approximately 65.8%) of the Group's sales was denominated in U.S. dollars. The remaining sales were denominated in Hong Kong dollars and Renminbi. The majority of the Group's costs of sales were denominated in U.S. dollars, Hong Kong dollars and Renminbi. The Group is therefore exposed to foreign exchange risk arising from currency exposures, primarily in respect to the Renminbi. The exchange rates of other currencies were relatively stable throughout the Period and immaterial on our cost structure. The management closely monitors the foreign exchange movements and determines the appropriate hedging activities when necessary.

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

Charge of Group's Assets

As at 30 June 2018, certain items of property, plant and equipment of the Group with an aggregate net book value of approximately HK\$16.3 million (31 December 2017: approximately HK\$17.5 million) were under finance leases.

As at 30 June 2018, certain of the Group's land and buildings with a net carrying amount of approximately HK\$58.6 million (31 December 2017: HK\$60.4 million) were pledged to secure a bank loan of HK\$12.8 million (31 December 2017: HK\$15.6 million) granted to the Group.

Capital Expenditure

For the Period, the Group invested approximately HK\$132.4 million (six months ended 30 June 2017: approximately HK\$138.3 million) in capital expenditure of which approximately 94.7% (31 December 2017: approximately 89.8%) was used for the purchase of plant and machinery, approximately 0.4% (six months ended 30 June 2017: approximately 3%) was used for the construction of new factory premises, and the remaining was used for the purchase of other property, plant and equipment.

Capital Expenditure (continued)

As at 30 June 2018, the Group had capital commitments of approximately HK\$53.3 million (31 December 2017: approximately HK\$56.3 million) in property, plant and equipment and approximately HK\$194.1 million (31 December 2017: approximately HK\$194.1 million) in construction of new manufacturing facilities. All are funded or will be funded by internal resources.

Contingent Liabilities

As at 30 June 2018, the Group did not have any significant contingent liabilities (31 December 2017: Nil).

Staff Policy

The Group had 6,073 (31 December 2017: 5,988) employees in the PRC, 864 employees in Cambodia (31 December 2017: 778) and 128 employees in Hong Kong, Macau, Singapore, Korea and others as at 30 June 2018 (31 December 2017: 116). Remuneration packages are generally structured by reference to market terms and individual qualification. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Discretionary bonuses are offered to the Group's staff depending on their performance and the results of the Group. The Group also participates in various defined contribution plans and insurance schemes in compliance with its statutory obligations under the laws and regulations of various locations worldwide.

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

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

Material Acquisition and Disposal

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

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 25 August 2017 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.

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

Mr. Ho Gilbert Chi Hang, an independent non-executive director, appointed as an executive director of NWS Holdings Limited (Stock Code: 659) with effect from 9 July 2018. Mr. Ho resigned as executive director of AID Partners Technology Holdings Limited (now known as AID Life Science Holdings Limited Stock Code: 8088) with effect from 1 January 2018.

Directors' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2018, 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

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.

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

Notes: (continued)

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 2018, 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.

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.

No share options had been granted during the Period under the Scheme and there was no outstanding share option as at 30 June 2018.

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 2018, 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 2018, no person, other than the directors or the chief executive of the Company whose interests are set out under the sections headed "Directors' interests and short positions in shares and underlying shares" and "Share option scheme" above, had an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register pursuant to Section 336 of the SFO.

Purchase, Redemption or Sale of Listed Securities of the Company

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

Corporate Governance

The Company is committed to maintaining good corporate governance practices. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth and enhancing shareholders value. The Company has applied the principles and complied with the 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. Wu Tak Lung (as Chairman), Mr. Ho Gilbert Chi Hang and Mr. Ting Kay Loong, is primarily responsible for reviewing and supervising the financial reporting, risk management and internal control of the Group. The Audit Committee has discussed with 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 20 August 2018.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018

	Notes	Six months ended 30 June 2018 HK\$'000 (Unaudited)	Six months ended 30 June 2017 HK\$'000 (Unaudited)
REVENUE	2, 3	2,149,004	1,937,170
Cost of sales		(1,829,481)	(1,660,856)
Gross profit		319,523	276,314
Other income and gains, net	3	15,160	19,562
Selling and distribution expenses		(60,212)	(52,802)
Administrative expenses		(162,254)	(148,849)
Other operating expenses, net		(5,460)	(4,618)
Finance costs		(31,426)	(26,692)
PROFIT BEFORE TAX	4	75,331	62,915
Income tax expense	5	(21,674)	(11,693)
PROFIT FOR THE PERIOD		53,657	51,222
Attributable to:			
Ordinary equity holders of the Company		53,694	51,215
Non-controlling interests		(37)	7
		53,657	51,222
Interim dividend	6	Nil	Nil
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	7	HK6.2 cents	HK5.9 cents
Diluted	7	HK6.2 cents	HK5.9 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Six months ended 30 June 2018 HK\$'000 (Unaudited)	Six months ended 30 June 2017 HK\$'000 (Unaudited)
PROFIT FOR THE PERIOD	53,657	51,222
OTHER COMPREHENSIVE INCOME		
Other comprehensive income may be reclassified to profit or loss in subsequent periods:		
Realisation of exchange fluctuation reserve upon deregistration of a subsidiary	356	(1,817)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	54,013	49,405
Attributable to:		
Ordinary equity holders of the Company	54,050	49,398
Non-controlling interests	(37)	7
	54,013	49,405

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	2,017,104	2,050,261
Prepaid land lease payments		130,109	131,232
Goodwill		3,072	3,072
Interest in an associate		–	–
Prepayments		8,401	6,896
Long term receivables		32,039	31,633
Deposits paid		16,586	24,795
Deferred tax assets		4,274	4,409
Total non-current assets		2,211,585	2,252,298
CURRENT ASSETS			
Inventories		1,406,030	1,164,546
Accounts and bills receivable	9	871,112	846,745
Prepayments, deposits and other receivables		110,504	40,840
Equity investment at fair value through profit or loss		172	314
Tax recoverable		–	–
Pledged deposits		6,663	9,875
Cash and cash equivalents		569,655	421,723
Total current assets		2,964,136	2,484,043

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(continued)

As at 30 June 2018

	Notes	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
CURRENT LIABILITIES			
Accounts and bills payable	10	564,251	660,460
Accrued liabilities and other payables		195,878	195,825
Due to an associate		1,926	2,706
Tax payable		24,729	23,181
Bank advance for discounted bills		37,298	–
Interest-bearing bank and other borrowings		998,008	706,820
Total current liabilities		1,822,090	1,588,992
NET CURRENT ASSETS			
		1,142,046	895,051
TOTAL ASSETS LESS CURRENT LIABILITIES			
		3,353,631	3,147,349
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		1,240,285	1,087,994
Deferred tax liabilities		7,443	7,465
Total non-current liabilities		1,247,728	1,095,459
Net assets		2,105,903	2,051,890
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital		86,992	86,992
Reserves		2,017,216	1,963,166
		2,104,208	2,050,158
Non-controlling interests			
		1,695	1,732
Total equity		2,105,903	2,051,890

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to ordinary equity holders of the Company									
	Issued capital	Share premium account	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
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
At 1 January 2017	86,992	446,105	104,804	50,104	(12,093)	15,513	1,128,629	1,820,054	(984)	1,819,070
Profit for the period	-	-	-	-	-	-	51,215	51,215	7	51,222
Other comprehensive income for the period:										
Realisation of exchange fluctuation reserve upon deregistration of a subsidiary	-	-	-	-	-	(1,817)	-	(1,817)	-	(1,817)
Total comprehensive income for the period	-	-	-	-	-	(1,817)	51,215	49,398	7	49,405
At 30 June 2017	86,992	446,105	104,804	50,104	(12,093)	13,696	1,179,844	1,869,452	(977)	1,868,475
At 1 January 2018	86,992	446,105	104,804	53,378	(12,126)	194,124	1,176,881	2,050,158	1,732	2,051,890
Profit for the period	-	-	-	-	-	-	53,694	53,694	(37)	53,657
Other comprehensive income for the period:										
Realisation of exchange fluctuation reserve upon deregistration of a subsidiary	-	-	-	-	-	356	-	356	-	356
Total comprehensive income for the period	-	-	-	-	-	356	53,694	54,050	(37)	54,013
At 30 June 2018	86,992	446,105	104,804	53,378	(12,126)	194,480	1,230,575	2,104,208	1,695	2,105,903

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Six months ended 30 June 2018 HK\$'000 (Unaudited)	Six months ended 30 June 2017 HK\$'000 (Unaudited)
NET CASH FLOW (USED IN)/FROM OPERATING ACTIVITIES	(207,887)	76,016
Purchases of items of property, plant and equipment	(132,445)	(138,297)
Other cash flow from/(used in) investing activities	9,630	(12,107)
NET CASH FLOW USED IN INVESTING ACTIVITIES	(122,815)	(150,404)
Drawdown of bank loans	1,462,089	1,019,365
Repayment of bank loans	(1,016,360)	(1,013,425)
Other cash flow from/(used in) financing activities	32,906	(4,952)
NET CASH FLOW FROM FINANCING ACTIVITIES	478,635	988
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	147,933	(73,400)
Cash and cash equivalents at beginning of period	421,723	475,532
CASH AND CASH EQUIVALENTS AT END OF PERIOD	569,655	402,132
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	569,655	402,132

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 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 2017, except for the adoption of new standards as described below.

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 2018.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments

HKFRS 15 established a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The Group has assessed the impact of this standard and the adoption HKFRS 15 does not have a significant impact on the consolidated financial statements of the Group.

HKFRS 9 introduces new requirements for classification and measurement, impairment and hedge accounting. The Group did not restate comparative information and would recognise any transition adjustments against the opening balance of equity at 1 January 2018. The adoption of HKFRS 9 does not have a significant impact on the classification and measurement of its financial assets. The impacts arising from the adoption of HKFRS 9 relate to the impairment requirements and are summarised as follows:

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (continued)

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group applied the simplified approach and recorded lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables.

The adoption of HKFRS 9 does not have significant impact on the financial performance and the financial position of the Group.

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 period and no retrospective adjustment is made.

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 two reportable operating segments as follows:

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

2. OPERATING SEGMENT INFORMATION (continued)

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.

	Fabric HK\$'000	Others HK\$'000	Total HK\$'000
Six months ended 30 June 2018 (Unaudited)			
Segment revenue:			
Revenue from external customers	2,078,906	70,098	2,149,004
Segment profits/(losses)	104,280	2,312	106,592
Bank interest income	160	5	165
Finance costs	(31,186)	(240)	(31,426)
Profit/(loss) before tax	73,254	2,077	75,331
Income tax credit/(expense)	(21,711)	37	(21,674)
Profit for the period	51,543	2,114	53,657
As at 30 June 2018 (Unaudited)			
Assets and liabilities			
Segment assets	4,976,396	195,051	5,171,447
Deferred tax assets	4,274	-	4,274
Total assets	4,980,670	195,051	5,175,721
Segment liabilities	2,986,376	75,999	3,062,375
Deferred tax liabilities	780	6,663	7,443
Total liabilities	2,987,156	82,662	3,069,818
Other segment information:			
Six months ended 30 June 2018 (Unaudited)			
Depreciation and amortisation	164,371	2,934	167,305
Capital expenditure	130,565	1,881	132,446

2. OPERATING SEGMENT INFORMATION (continued)

	Fabric HK\$'000	Others HK\$'000	Total HK\$'000
Six months ended 30 June 2017			
(Unaudited)			
Segment revenue:			
Revenue from external customers	1,937,170	–	1,937,170
Segment profits/(losses)	89,679	(213)	89,466
Bank interest income	138	3	141
Finance costs	(26,692)	–	(26,692)
Profit/(loss) before tax	63,125	(210)	62,915
Income tax credit/(expense)	(12,063)	370	(11,693)
Profit for the period	51,062	160	51,222
As at 31 December 2017 (Audited)			
Assets and liabilities			
Segment assets	4,630,458	101,474	4,731,932
Deferred tax assets	4,409	–	4,409
Total assets	4,634,867	101,474	4,736,341
Segment liabilities	2,651,106	25,880	2,676,986
Deferred tax liabilities	600	6,865	7,465
Total liabilities	2,651,706	32,745	2,684,451
Other segment information:			
Six months ended 30 June 2017			
(Unaudited)			
Depreciation and amortisation	158,997	1,839	160,836
Capital expenditure	121,274	17,023	138,297

2. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	Six months ended 30 June 2018 HK\$'000 (Unaudited)	Six months ended 30 June 2017 HK\$'000 (Unaudited)
Korea	630,851	462,276
Mainland China	576,318	478,982
Hong Kong	263,772	230,221
Taiwan	174,334	203,613
Singapore	156,262	172,322
Others	347,467	389,756
	2,149,004	1,937,170

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

(b) Non-current assets

	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
Mainland China	2,069,313	2,106,854
Hong Kong	89,851	94,174
Cambodia	15,985	15,165
Singapore	120	57
Others	3	6
	2,175,272	2,216,256

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

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 2018 HK\$'000 (Unaudited)	Six months ended 30 June 2017 HK\$'000 (Unaudited)
Revenue		
Production and sale of knitted fabric and dyed yarn and provision of related subcontracting services	2,078,906	1,937,170
Production and sale of garment products and provision of related subcontracting services	70,098	–
	2,149,004	1,937,170
Other income		
Fee income from freight handling services	3,761	3,735
Bank interest income	165	140
Gross rental income	155	147
Others	11,221	15,710
	15,302	19,732
Gains, net		
Fair value gains/(losses), net:		
Equity investment at fair value through profit or loss – held for trading	(142)	(170)
Other income and gains, net	15,160	19,562

4. PROFIT BEFORE TAX

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

	Six months ended 30 June 2018 HK\$'000 (Unaudited)	Six months ended 30 June 2017 HK\$'000 (Unaudited)
Cost of inventories sold and services provided	1,829,481	1,660,856
Research and development costs	6,408	5,555
Depreciation of items of property, plant and equipment	165,548	159,377
Amortisation of prepaid land lease payments	1,757	1,459
Employee benefits expense (including directors' remuneration):		
Wages and salaries	246,473	221,760
Pension scheme contributions	27,503	26,434
	273,976	248,194
Minimum lease payments under operating leases in respect of land and buildings	3,832	2,945
(Gain)/loss on disposal of items of property, plant and equipment	30	(482)
Impairment of accounts receivable, net	(1,512)	1,709
Fair value losses/(gains), net:		
Equity investment at fair value through profit or loss – held for trading	142	170
Loss/(gain) on deregistration of a subsidiary	356	(1,817)
Foreign exchange differences, net	2,728	(708)

5. INCOME TAX

	Six months ended 30 June 2018 HK\$'000 (Unaudited)	Six months ended 30 June 2017 HK\$'000 (Unaudited)
Current tax – Hong Kong		
Charge for the period	4,322	3,996
Current tax – Elsewhere		
Charge for the period	6,398	7,381
Underprovision in prior years	10,841	–
Deferred tax expenses	113	316
Total tax charge for the period	21,674	11,693

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 2017: 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 2017: 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\$53,694,000 (six months ended 30 June 2017: HK\$51,215,000), and the number of 869,919,000 (six months ended 30 June 2017: 869,919,000) ordinary shares in issue during the Period.

The Group had no potentially dilutive ordinary shares in issue for the periods ended 30 June 2018 and 30 June 2017.

8. PROPERTY, PLANT AND EQUIPMENT

The changes in the net book value of property, plant and equipment for the six months ended 30 June 2018 are analysed as follows:

	HK\$'000
At 1 January 2018 (Audited)	2,050,261
Additions	132,445
Disposals	(54)
Depreciation	<u>(165,548)</u>
At 30 June 2018 (Unaudited)	<u>2,017,104</u>

As at 30 June 2018, 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\$8.7 million (31 December 2017: approximately HK\$6.2 million) and approximately HK\$116.7 million (31 December 2017: approximately HK\$120.2 million) situated in Panyu 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 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 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
Within 1 month	371,466	328,404
1 to 2 months	244,681	239,766
2 to 3 months	151,517	123,326
Over 3 months	103,448	155,249
	871,112	846,745

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 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
Within 3 months	516,249	610,280
3 to 6 months	47,013	48,627
Over 6 months	989	1,553
	564,251	660,460

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

11. DEREGISTRATION OF A SUBSIDIARY

During the period ended 30 June 2018, the Group deregistered an indirectly wholly-owned subsidiary, Jiangmen Yingxing Garment Limited ("Yingxing"). Yingxing was inactive during the period. An exchange fluctuation reserve of HK\$356,000 was released from the deregistration of the subsidiary and the resulting loss on deregistration of a subsidiary of HK\$356,000 was recognised in the consolidated statement of profit or loss during the period.

There was no net inflow/outflow of cash and cash equivalents in respect of the deregistration of a subsidiary during the period.

12. COMMITMENTS

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

Capital commitments

	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
Contracted but not provided for:		
Purchases of machinery	33,274	38,180
Purchase of land and buildings	575	671
Construction in progress	19,468	17,412
Construction of new manufacturing facilities	194,145	194,145
	247,462	250,408

The Group had outstanding commitments amounting to HK\$153,201,000 (31 December 2017: HK\$275,916,000) as at the end of the reporting period in respect of irrevocable letters of credit.

13. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed else where in these financial statements, the Group had the following material transactions with related parties during the Period:

	Notes	Six months ended 30 June 2018 HK\$'000 (Unaudited)	Six months ended 30 June 2017 HK\$'000 (Unaudited)
Rental expenses on office premises and staff quarters paid to Tai Chin Chun and Tai Chin Wen	(i)	252	309
Rental expenses on staff quarters and car park spaces paid to Cheung So Wan and Wong Siu Yuk	(ii)	278	270
Rental expenses on staff quarters paid to Tai Tang Tat	(iii)	57	54

13. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

Notes:

- (i) The Group entered into tenancy agreements with Mr. Tai Chin Chun and Mr. Tai Chin Wen, directors of the Company, for the rental of (i) store rooms at monthly rentals of HK\$27,000 (2017: HK\$27,000) from 1 May 2017 for terms of two years, (ii) a staff quarter at a monthly rental of HK\$12,000 from 1 January 2016 for terms of two years was expired without renewal, (iii) a staff quarter at monthly rentals of HK\$12,500 from 1 January 2016 for terms of two years, and renewal at monthly rentals of HK\$15,000 from 1 January 2018 for terms of two years, respectively, based on the terms mutually agreed by both parties.
- (ii) The Group entered into tenancy agreements with Ms. Cheung So Wan and Ms. Wong Siu Yuk, directors of the Company, for the rental of (i) staff quarters at monthly rental of approximately HK\$17,000 (2017: approximately HK\$17,000) from 1 January 2017 for terms of three years and renewed from 1 July 2017 for terms of two years and six months, and (ii) car park spaces at monthly rentals of HK\$20,000 (2017: HK\$20,000) and HK\$8,000 (2017: HK\$8,000) from 1 June 2015 and 1 July 2015, respectively, for terms of two years, and renewed from 1 June 2017 and 1 July 2017, respectively, for terms of two years, based on the terms mutually agreed by both parties.
- (iii) The Group entered into tenancy agreements with Mr. Tai Tang Tat, a son of Mr. Tai Chin Wen and Ms. Wong Siu Yuk, for the rental of staff quarters at monthly rental of approximately HK\$9,600 (2017: approximately HK\$9,200) from 1 March 2016 for terms of three years, based on the terms mutually agreed by both parties. In 2017, the lease term of the tenancy agreement was extended to 31 December 2019.

13. RELATED PARTY TRANSACTIONS (continued)

- (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\$1.4 million (31 December 2017: approximately HK\$1.5 million) as at 30 June 2018.

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 2018 HK\$'000 (Unaudited)	Six months ended 30 June 2017 HK\$'000 (Unaudited)
Short-term employee benefits	12,440	12,253
Post-employment benefits	81	90
	12,521	12,343

14. TRANSFERS OF FINANCIAL ASSETS

Transferred financial assets that are not derecognised in their entirety

At 30 June 2018, the Group did not endorsed bank bills receivable in the PRC (the "Endorsed Bills") (31 December 2017: RMB7,812,000 (equivalent to HK\$9,356,000)) 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 RMBNil (equivalent to HK\$Nil) (31 December 2017: RMB7,812,000 (equivalent to HK\$9,356,000)) as at 30 June 2018.

Transferred financial assets that are derecognised in their entirety

At 30 June 2018, 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 RMB94,793,000 (equivalent to HK\$113,525,000) (31 December 2017: RMB70,607,000 (equivalent to HK\$84,559,000)). The Derecognised Bills have a remaining maturity from one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills 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.

During the periods ended 30 June 2018 and 30 June 2017, 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 2018 and 30 June 2017.