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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)

**INTERIM RESULTS ANNOUNCEMENT FOR
THE SIX MONTHS ENDED 30 JUNE 2013**

The board (the “Board”) of directors (the “Directors”) of Kam Hing International Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2013 (the “Period”), together with the comparative figures for the corresponding period in 2012, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2013

	<i>Notes</i>	Six months ended 30 June 2013 HK\$'000 (Unaudited)	Six months ended 30 June 2012 HK\$'000 (Unaudited)
REVENUE	2, 3	2,057,415	2,028,632
Cost of sales		(1,702,908)	(1,667,386)
Gross profit		354,507	361,246
Other income and gains, net	3	13,174	17,645
Selling and distribution expenses		(68,818)	(77,691)
Administrative expenses		(169,448)	(189,197)
Other operating income/ (expenses), net		(6,873)	3,007
Finance costs		(23,825)	(20,236)
Share of profits less losses of a jointly-controlled entity		(2,163)	(3,229)
Share of profits less losses of an associate		(188)	–
PROFIT BEFORE TAX	4	96,366	91,545
Income tax expense	5	(14,515)	(14,054)
PROFIT FOR THE PERIOD		81,851	77,491

		Six months ended 30 June 2013	Six months ended 30 June 2012
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Attributable to:			
Ordinary equity holders of the Company		72,573	69,777
Non-controlling interests		9,278	7,714
		<u>81,851</u>	<u>77,491</u>

Interim dividend	6	<u>Nil</u>	<u>Nil</u>
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**EARNINGS PER SHARE ATTRIBUTABLE TO
ORDINARY EQUITY HOLDERS OF
THE COMPANY**

Basic	7	<u>HK8.3 cents</u>	<u>HK8.0 cents</u>
Diluted	7	<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

		30 June	31 December
		2013	2012
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		1,933,669	1,880,299
Prepaid land lease payments		68,349	69,261
Intangible assets		–	–
Interest in a jointly-controlled entity		24,732	26,895
Interest in an associate		47,143	47,331
Prepayment		7,281	7,381
Long term receivable		15,849	15,387
Deposits paid		22,025	26,728
Deferred tax assets		5,781	5,835
		<hr/>	<hr/>
Total non-current assets		2,124,829	2,079,117
CURRENT ASSETS			
Inventories		973,360	770,559
Accounts and bills receivable	8	692,704	689,124
Prepayments, deposits and other receivables		53,424	53,091
Equity investment at fair value through profit or loss		409	596
Derivative financial instruments		33	69
Due from a jointly-controlled entity		30,385	36,300
Tax recoverable		1,824	2,887
Pledged deposits		385	2,174
Cash and cash equivalents		459,175	494,648
		<hr/>	<hr/>
Total current assets		2,211,699	2,049,448
CURRENT LIABILITIES			
Accounts and bills payable	9	781,871	561,623
Accrued liabilities and other payables		73,253	118,607
Derivative financial instruments		2,029	32
Due to an associate		3,126	3,112
Tax payable		35,607	27,580
Interest-bearing bank and other borrowings		1,028,280	889,580
		<hr/>	<hr/>
Total current liabilities		1,924,166	1,600,534

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
NET CURRENT ASSETS	<u>287,533</u>	<u>448,914</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>2,412,362</u>	<u>2,528,031</u>
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	410,933	563,165
Deferred tax liabilities	<u>1,002</u>	<u>752</u>
Total non-current liabilities	<u>411,935</u>	<u>563,917</u>
Net assets	<u><u>2,000,427</u></u>	<u><u>1,964,114</u></u>
EQUITY		
Equity attributable to ordinary equity holders of the Company		
Issued capital	86,992	86,992
Reserves	<u>1,860,968</u>	<u>1,820,767</u>
	1,947,960	1,907,759
Non-controlling interests	<u>52,467</u>	<u>56,355</u>
Total equity	<u><u>2,000,427</u></u>	<u><u>1,964,114</u></u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

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

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

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

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

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have any significant impact on its results of operations and financial position.

2. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

Geographical information

(a) Revenue from external customers

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

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

(b) Non-current assets

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

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

Information about a major customer

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

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

3. REVENUE, OTHER INCOME AND GAINS, NET

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

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

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

4. PROFIT BEFORE TAX

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

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

5. INCOME TAX

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

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

6. DIVIDEND

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

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

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

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

8. ACCOUNTS AND BILLS RECEIVABLE

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

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

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

9. ACCOUNTS AND BILLS PAYABLE

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

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

KEY DEVELOPMENTS

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

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

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

PROSPECTS

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

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

FINANCIAL REVIEW

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

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

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

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

Liquidity, financial resources and capital structure

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

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

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

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

Exposure to fluctuation in foreign exchange and interest rate

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

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

Charge of Group's assets

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

Capital expenditure

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

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

Contingent liabilities

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

Material acquisition and disposal

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

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

HUMAN RESOURCES

As at 30 June 2013, the Group had 6,007 employees in the PRC and Madagascar (31 December 2012: 8,172) and 172 employees in Hong Kong, Macau, Singapore and Korea (31 December 2012: 183). Remuneration packages are generally structured by reference to market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Discretionary bonuses are offered to the Group's staff depending on their performance and the results of the Group. The Group also participates in various defined contribution plans and insurance schemes in compliance with its statutory obligations under the laws and regulations of various locations worldwide.

INTERIM DIVIDEND

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE

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

AUDIT COMMITTEE

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

GENERAL INFORMATION

At the date of this announcement, the executive Directors are Mr. Tai Chin Chun, Mr. Tai Chin Wen, Ms. Cheung So Wan, Ms. Wong Siu Yuk, Mr. Chong Chau Lam and Mr. Wong Wai Kong, Elmen and the independent non-executive Directors are Mr. Chan Yuk Tong, Jimmy, Ms. Chu Hak Ha, Mimi and Mr. Ho Gilbert Chi Hang.

APPRECIATION

The Board would like to express our sincere gratitude to the shareholders, investors and business partners for their continual support and to our staff for their dedicated work.

By Order of the Board

Tai Chin Chun

Chairman

Hong Kong, 26 August 2013