

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2014

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 2014 (the “Period”), together with the comparative figures for the corresponding period in 2013, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2014

	<i>Notes</i>	Six months ended 30 June 2014 HK\$'000 (Unaudited)	Six months ended 30 June 2013 HK\$'000 (Unaudited)
REVENUE	2, 3	1,913,234	2,057,415
Cost of sales		(1,596,294)	(1,702,908)
Gross profit		316,940	354,507
Other income and gains, net	3	9,010	13,174
Selling and distribution expenses		(52,823)	(68,818)
Administrative expenses		(164,699)	(169,448)
Other operating expenses, net		(2,446)	(6,873)
Finance costs		(28,312)	(23,825)
Share of profits less losses of a joint venture		(1,629)	(2,163)
Share of profits less losses of an associate		357	(188)
PROFIT BEFORE TAX	4	76,398	96,366
Income tax expense	5	(11,822)	(14,515)
PROFIT FOR THE PERIOD		64,576	81,851

	<i>Notes</i>	Six months ended 30 June 2014 HK\$'000 (Unaudited)	Six months ended 30 June 2013 HK\$'000 (Unaudited)
Attributable to:			
Ordinary equity holders of the Company		62,982	72,573
Non-controlling interests		1,594	9,278
		64,576	81,851
Interim dividend	6	Nil	Nil
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	7	HK7.2 cents	HK8.3 cents
Diluted	7	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the six months ended 30 June 2014*

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*As at 30 June 2014*

		30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		2,036,516	2,022,956
Prepaid land lease payments		66,526	67,438
Intangible assets		–	–
Interest in a joint venture		19,998	21,627
Interest in an associate		47,144	46,787
Prepayment		8,602	8,500
Long term receivable		29,324	15,848
Deposits paid		30,651	36,445
Deferred tax assets		6,979	5,835
Total non-current assets		2,245,740	2,225,436
CURRENT ASSETS			
Inventories		1,075,154	932,545
Accounts and bills receivable	8	698,539	650,165
Prepayments, deposits and other receivables		64,951	82,107
Equity investment at fair value through profit or loss		376	385
Derivative financial instruments		26	471
Due from a joint venture		2,264	2,647
Tax recoverable		634	1,321
Pledged deposits		25,436	–
Cash and cash equivalents		747,007	554,879
Total current assets		2,614,387	2,224,520
CURRENT LIABILITIES			
Accounts and bills payable	9	690,975	556,303
Accrued liabilities and other payables		96,214	124,703
Derivative financial instruments		4,562	129
Due to an associate		3,085	3,095
Tax payable		38,425	29,620
Bank advances for discounted bills		2,748	–
Interest-bearing bank and other borrowings		857,361	575,748
Total current liabilities		1,693,370	1,289,598
NET CURRENT ASSETS		921,017	934,922
TOTAL ASSETS LESS CURRENT LIABILITIES		3,166,757	3,160,358

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	1,109,984	1,137,518
Deferred tax liabilities	967	902
	<hr/>	<hr/>
Total non-current liabilities	1,110,951	1,138,420
	<hr/>	<hr/>
Net assets	2,055,806	2,021,938
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to ordinary equity holders of the Company		
Issued capital	86,992	86,992
Reserves	1,920,973	1,879,739
	<hr/>	<hr/>
	2,007,965	1,966,731
	<hr/>	<hr/>
Non-controlling interests	47,841	55,207
	<hr/>	<hr/>
Total equity	2,055,806	2,021,938
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

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

The basis of preparation and accounting policies adopted in preparing these condensed consolidated financial statements are consistent with those adopted in the preparation of the Group’s annual financial statements for the year ended 31 December 2013.

In the current period, the Group has applied, for the first time, the new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by HKICPA which are effective for the Group’s financial year beginning on 1 January 2014. The adoption of the new and revised HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current accounting periods.

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

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

2. OPERATING SEGMENT INFORMATION

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

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

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

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

	Fabric HK\$'000	Garment HK\$'000	Others HK\$'000	Total HK\$'000
Six months ended 30 June 2014 (Unaudited)				
Segment revenue:				
Revenue from external customers	1,913,234	–	–	1,913,234
Intersegment revenue	–	–	–	–
	<u>1,913,234</u>	<u>–</u>	<u>–</u>	<u>1,913,234</u>
Elimination of intersegment revenue				<u>–</u>
Total revenue				<u><u>1,913,234</u></u>
Segment profits/(losses)	107,134	(2,633)	422	104,923
Bank interest income	1,056	3	–	1,059
Finance costs	(28,312)	–	–	(28,312)
Share of profits less losses of a joint venture	(1,629)	–	–	(1,629)
Share of profits less losses of an associate	–	–	357	357
	<u>78,249</u>	<u>(2,630)</u>	<u>779</u>	<u>76,398</u>
Profit/(loss) before tax	78,249	(2,630)	779	76,398
Income tax expense	(11,756)	–	(66)	(11,822)
	<u>66,493</u>	<u>(2,630)</u>	<u>713</u>	<u>64,576</u>
Profit/(loss) for the period	<u><u>66,493</u></u>	<u><u>(2,630)</u></u>	<u><u>713</u></u>	<u><u>64,576</u></u>
As at 30 June 2014 (Unaudited)				
Assets and liabilities				
Segment assets	4,778,985	1,981	5,040	4,786,006
Interest in a joint venture	19,998	–	–	19,998
Interest in an associate	–	–	47,144	47,144
Deferred tax assets	6,979	–	–	6,979
	<u>4,805,962</u>	<u>1,981</u>	<u>52,184</u>	<u>4,860,127</u>
Total assets	<u><u>4,805,962</u></u>	<u><u>1,981</u></u>	<u><u>52,184</u></u>	<u><u>4,860,127</u></u>
Segment liabilities	2,799,329	202	3,823	2,803,354
Deferred tax liabilities	967	–	–	967
	<u>2,800,296</u>	<u>202</u>	<u>3,823</u>	<u>2,804,321</u>
Total liabilities	<u><u>2,800,296</u></u>	<u><u>202</u></u>	<u><u>3,823</u></u>	<u><u>2,804,321</u></u>
Other segment information:				
Six months ended 30 June 2014 (Unaudited)				
Depreciation and amortisation	145,168	28	2	145,198
Capital expenditure	159,757	–	–	159,757
	<u>145,168</u>	<u>28</u>	<u>2</u>	<u>145,198</u>
	<u>159,757</u>	<u>–</u>	<u>–</u>	<u>159,757</u>

	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 joint venture	(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	98,482	(2,339)	223	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>84,027</u></u>	<u><u>(2,339)</u></u>	<u><u>163</u></u>	<u><u>81,851</u></u>
As at 31 December 2013 (Audited)				
Assets and liabilities				
Segment assets	4,361,722	10,302	3,683	4,375,707
Interest in a joint venture	21,627	–	–	21,627
Interest in an associate	–	–	46,787	46,787
Deferred tax assets	5,835	–	–	5,835
	<u>4,389,184</u>	<u>10,302</u>	<u>50,470</u>	<u>4,449,956</u>
Total assets	<u><u>4,389,184</u></u>	<u><u>10,302</u></u>	<u><u>50,470</u></u>	<u><u>4,449,956</u></u>
Segment liabilities	2,421,946	722	4,448	2,427,116
Deferred tax liabilities	902	–	–	902
	<u>2,422,848</u>	<u>722</u>	<u>4,448</u>	<u>2,428,018</u>
Total liabilities	<u><u>2,422,848</u></u>	<u><u>722</u></u>	<u><u>4,448</u></u>	<u><u>2,428,018</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>181,399</u>	<u>38</u>	<u>–</u>	<u>181,437</u>

Geographical information

(a) Revenue from external customers

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

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

(b) Non-current assets

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Mainland China	2,121,002	2,113,371
Hong Kong	87,624	89,404
Singapore	115	139
Others	696	839
	<u>2,209,437</u>	<u>2,203,753</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, the revenue from the Group's largest customer amounted to less than 10% of the Group's total revenue.

3. REVENUE, OTHER INCOME AND GAINS, NET

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

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

	Six months ended 30 June 2014 HK\$'000 (Unaudited)	Six months ended 30 June 2013 HK\$'000 (Unaudited)
Revenue		
Production and sale of knitted fabric, dyed yarn and provision of related subcontracting services	1,913,234	1,990,173
Production and sale of garment products and provision of related subcontracting services	–	67,242
	<u>1,913,234</u>	<u>2,057,415</u>
Other income		
Fee income from freight handling services	4,207	4,281
Bank interest income	1,059	1,583
Gross rental income	164	228
Others	8,758	8,358
	<u>14,188</u>	<u>14,450</u>
Gains, net		
Fair value gains/(losses), net:		
Equity investment at fair value through profit or loss – held for trading	(9)	(187)
Derivative financial instruments – transactions not qualified as hedges but matured during the period	(633)	907
Derivative financial instruments – transactions not qualified as hedges and not yet matured	(4,536)	(1,996)
	<u>(5,178)</u>	<u>(1,276)</u>
Other income and gains, net	<u>9,010</u>	<u>13,174</u>

4. PROFIT BEFORE TAX

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

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

5. INCOME TAX

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

Hong Kong profits tax has been provided on the estimated assessable profits arising in Hong Kong at the rate of 16.5% (six months ended 30 June 2013: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

6. DIVIDEND

The Board has resolved not to declare any interim dividend for the Period (six months ended 30 June 2013: Nil).

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

The calculation of basic earnings per share amount is based on the profit for the Period attributable to ordinary equity holders of the Company of HK\$ 62,982,000 (six months ended 30 June 2013: HK\$72,573,000), and the number of 869,919,000 (six months ended 30 June 2013: 869,919,000) ordinary shares in issue during the Period.

Diluted earning per share for the periods ended 30 June 2014 and 30 June 2013 has not been disclosed, as the share options outstanding during these periods had an anti-dilutive effect on the basic earnings per share for these periods.

8. 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 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Within 1 month	345,816	276,323
1 to 2 months	167,754	176,568
Over 2 months	184,969	197,274
	<u>698,539</u>	<u>650,165</u>

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

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

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

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

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

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

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

PROSPECTS

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

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

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

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

FINANCIAL REVIEW

The Group's overall revenue for the Period decreased by 7.0% to approximately HK\$1,913.2 million (six months ended 30 June 2013: HK\$2,057.4 million). The revenue drop by 7% was mainly divided by the decrease in fabric and yarn sales by 3.7% and 3.3% in garment.

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

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

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

Liquidity, financial resources and capital structure

As at 30 June 2014, the Group's net current assets were HK\$ 921.0 million (31 December 2013: HK\$934.9 million). The increase in net assets was mainly due to the new factory set up in Enping. The Group will constantly review its financial position and maintain a healthy financial position by financing its operations from internally generated resources and long-term bank loans. As at 30 June 2014, the Group had cash and cash equivalents of HK\$747.0 million (31 December 2013: HK\$554.9 million). Current ratio as at 30 June 2014 was 1.5 times (31 December 2013: 1.7 times).

Total bank and other borrowings of the Group as at 30 June 2014 were HK\$1,967.3 million (31 December 2013: HK\$1,713.3 million). The Group's net debt gearing ratio (i.e. net debt divided by the sum of equity and net debt) as at 30 June 2014 was at a healthy level of 50.1% (31 December 2013: 48.4%). Net debt comprises all interest-bearing bank and other borrowings, bank advances for discounted bills, an amount due to an associate, accounts and bills payable and accrued liabilities and other payables less cash and cash equivalents. Equity comprises owners' equity as stated in the condensed consolidated statement of financial position.

As at 30 June 2014, the Group's long-term loans were HK\$1,110.0 million (31 December 2013: HK\$1,137.5 million), comprising syndicated loan and term loans from banks of HK\$1,107.9 million (31 December 2013: HK\$1,128.2 million) and long-term finance lease payable of HK\$2.1 million (31 December 2013: HK\$9.3 million). The decrease in long-term loan was mainly because of the reclassification of part of the term loans from non-current liabilities to current liabilities during the Period.

Exposure to fluctuation in foreign exchange and interest rate

As at 30 June 2014, 70.6% of the Group's sales was denominated in United States dollars (six months ended 30 June 2013: 77.2%). The remaining sales were denominated in Hong Kong dollars and Renminbi. The majority of the Group's cost of sales was denominated in United States dollars, Hong Kong dollars and Renminbi. The Group is therefore exposed to foreign exchange risk arising from currency exposures, primarily in respect of Renminbi. The exchange rates of other currencies were relatively stable throughout the Period and immaterial to our cost structure. The management closely monitors the foreign exchange movements and determines the appropriate hedging activities when necessary.

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

Charge of Group's assets

As at 30 June 2014, certain items of property, plant and equipment of the Group with an aggregate net book value of HK\$ 59.2 million (31 December 2013: HK\$63.0 million) were under finance leases.

Capital expenditure

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

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

Contingent liabilities

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

Material acquisition and disposal

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

Human Resources

As at 30 June 2014, the Group had 6,034 employees in the PRC and Madagascar (31 December 2013: 5,828) and 170 employees in Hong Kong, Macau, Singapore and Korea (31 December 2013: 173). Remuneration packages are generally structured by reference to market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Discretionary bonuses are offered to the Group's staff depending on their performance and the results of the Group. The Group also participates in various defined contribution plans and insurance schemes in compliance with its statutory obligations under the laws and regulations of various locations worldwide.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the Period (six months ended 30 June 2013: Nil).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

UPDATE ON LITIGATION WITH A PREVIOUS SUBCONTRACTOR AND ITS AFFILIATED COMPANY

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

CORPORATE GOVERNANCE

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

AUDIT COMMITTEE

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

GENERAL INFORMATION

At the date of this announcement, the Board comprises 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 as executive Directors; and Mr. Chan Yuk Tong, Jimmy, Ms. Chu Hak Ha, Mimi and Mr. Ho Gilbert Chi Hang as independent non-executive Directors.

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, 22 August 2014