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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 2015

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 2015 (the “Period”), together with the comparative figures for the corresponding period in 2014, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2015

		Six months ended 30 June 2015	Six months ended 30 June 2014
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
REVENUE	2, 3	2,093,216	1,913,234
Cost of sales		(1,763,173)	(1,596,294)
Gross profit		330,043	316,940
Other income and gains, net	3	16,895	9,010
Selling and distribution expenses		(67,078)	(52,823)
Administrative expenses		(170,106)	(164,699)
Other operating expenses, net		(692)	(2,446)
Finance costs		(26,759)	(28,312)
Share of profits less losses of a joint venture		–	(1,629)
Share of profits less losses of an associate		(654)	357

		Six months ended 30 June 2015	Six months ended 30 June 2014
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
PROFIT BEFORE TAX	4	81,649	76,398
Income tax expense	5	(13,947)	(11,822)
PROFIT FOR THE PERIOD		67,702	64,576
Attributable to:			
Ordinary equity holders of the Company		64,159	62,982
Non-controlling interests		3,543	1,594
		67,702	64,576
Interim dividend	6	Nil	Nil
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	7	HK7.4 cents	HK7.2 cents
Diluted	7	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

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

		30 June	31 December
		2015	2014
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
CURRENT LIABILITIES			
Accounts and bills payable	9	683,651	612,358
Accrued liabilities and other payables		147,890	165,034
Derivative financial instruments		1,474	3,569
Due to an associate		3,092	3,102
Tax payable		28,018	29,409
Interest-bearing bank and other borrowings		1,295,670	952,069
		<hr/>	<hr/>
Total current liabilities		2,159,795	1,765,541
		<hr/>	<hr/>
NET CURRENT ASSETS		433,854	602,024
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,740,452	2,901,713
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		600,519	827,842
Deferred tax liabilities		1,016	175
		<hr/>	<hr/>
Total non-current liabilities		601,535	828,017
		<hr/>	<hr/>
Net assets		2,138,917	2,073,696
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital		86,992	86,992
Reserves		2,003,205	1,939,046
		<hr/>	<hr/>
		2,090,197	2,026,038
		<hr/>	<hr/>
Non-controlling interests		48,720	47,658
		<hr/>	<hr/>
Total equity		2,138,917	2,073,696
		<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 2014.

In the current period, the Group has applied, for the first time, the new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by HKICPA which are effective for the Group’s financial year beginning on 1 January 2015. The adoption of the new and revised HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current accounting periods.

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

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

2. OPERATING SEGMENT INFORMATION

Change in operating segments

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

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

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

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

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

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

	Fabric <i>HK\$'000</i>	Others <i>HK\$'000</i> <i>(Restated)</i>	Total <i>HK\$'000</i>
Six months ended 30 June 2014 (Unaudited)			
Segment revenue:			
Revenue from external customers	1,913,234	–	1,913,234
Segment profits/(losses)	107,134	(2,211)	104,923
Bank interest income	1,056	3	1,059
Finance costs	(28,312)	–	(28,312)
Share of profits less losses of a joint venture	(1,629)	–	(1,629)
Share of profits less losses of an associate	–	357	357
Profit/(loss) before tax	78,249	(1,851)	76,398
Income tax expense	(11,756)	(66)	(11,822)
Profit/(loss) for the period	66,493	(1,917)	64,576
As at 31 December 2014 (Audited)			
Assets and liabilities			
Segment assets	4,608,756	7,415	4,616,171
Interest in an associate	–	42,152	42,152
Deferred tax assets	8,931	–	8,931
Total assets	4,617,687	49,567	4,667,254
Segment liabilities	2,588,621	4,762	2,593,383
Deferred tax liabilities	175	–	175
Total liabilities	2,588,796	4,762	2,593,558
Other segment information:			
Six months ended 30 June 2014 (Unaudited)			
Depreciation and amortisation	145,168	30	145,198
Capital expenditure	159,757	–	159,757

Geographical information

(a) Revenue from external customers

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

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

(b) Non-current assets

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

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 2015 HK\$'000 (Unaudited)	Six months ended 30 June 2014 HK\$'000 (Unaudited)
Revenue		
Production and sale of knitted fabric and dyed yarn and provision of related subcontracting services	2,093,216	1,913,234
Other income		
Fee income from freight handling services	4,093	4,207
Bank interest income	649	1,059
Gross rental income	194	164
Others	10,429	8,758
	15,365	14,188
Gains, net		
Fair value gains/(losses), net:		
Equity investment at fair value through profit or loss – held for trading	(19)	(9)
Derivative financial instruments – transactions not qualified as hedges but matured during the period	3,022	(633)
Derivative financial instruments – transactions not qualified as hedges and not yet matured	(1,473)	(4,536)
	1,530	(5,178)
Other income and gains, net	16,895	9,010

4. PROFIT BEFORE TAX

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

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

5. INCOME TAX

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

Hong Kong profits tax has been provided on the estimated assessable profits arising in Hong Kong at the rate of 16.5% (six months ended 30 June 2014: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

6. DIVIDEND

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

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

The calculation of basic earnings per share amount is based on the profit for the Period attributable to ordinary equity holders of the Company of HK\$64,159,000 (six months ended 30 June 2014: HK\$62,982,000), and the number of 869,919,000 (six months ended 30 June 2014: 869,919,000) ordinary shares in issue during the Period.

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

8. 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.

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

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Within 1 month	441,928	341,559
1 to 2 months	197,470	212,465
2 to 3 months	143,053	147,852
Over 3 months	119,393	119,170
	<u>901,844</u>	<u>821,046</u>

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

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

10. COMPARATIVE AMOUNTS

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

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

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

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

As mentioned above, the Group has also been devoting extensive resources to enrich its product mix to cater for the ever-changing market trends. In particular, the Group has invested substantial resources to enrich its traditional core textile business, such as improving operating efficiency and cost effectiveness. Furthermore, the management has dedicated persistent efforts to the research and development ("R&D") of synthetic functional materials in recent years, the production of synthetic fiber and printed fabrics has brought synergy to the Group's traditional cotton textile

products and allowed the Group to offer a diverse range of products. Such enhanced product offerings enable the Group to capture bundled orders from customers and provide customers with convenience. The production reliability as well as product quality of the Group have received positive acclaim from brand name customers. The commercialisation of these fabrics perfectly demonstrates the Group's R&D and execution capabilities to adapt to changes in market dynamics and deliver quality products that are of great demand. The Group will continue to stay tuned to market trends and pilot further R&D of new products to widen its product offerings.

Prospects

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

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

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

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

Financial Review

Revenue

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

Gross Profit and Gross Profit Margin

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

Selling and Distribution Expenses

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

Net Profit and Net Profit Margin

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

Liquidity, Financial Resources and Capital Structure

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

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

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

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

Foreign Exchange Risk and Interest Rate Risk

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

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

Charge of Group's Assets

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

Capital Expenditure

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

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

Contingent Liabilities

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

Material Acquisition and Disposal

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

Staff Policy

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

INTERIM DIVIDEND

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

UPDATE ON LITIGATION WITH A PREVIOUS SUBCONTRACTOR AND ITS AFFILIATED COMPANY

As disclosed in note 41 to the financial statements of the Group for the year ended 31 December 2014 in the annual report for 2014, (i) the PRC Court overruled all demands from a previous subcontractor of the Group (the "First Plaintiff") against the Guangzhou Municipal Land Resources and Housing Administrative Bureau on invalid procedures in the transfer of a parcel of land (the "Land") in Panyu to the Group (the "First Case") and the First Plaintiff has lodged an appeal; and (ii) an affiliated company of the First Plaintiff (the "Second Plaintiff") filed a claim against the Group for acquiring the Land through invalid procedures (the "Second Case"). As at the approval date of these interim financial statements, the appeal by the First Plaintiff under the First Case was still in progress and the court hearing date of the Second Case has yet to be fixed.

CORPORATE GOVERNANCE

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

AUDIT COMMITTEE

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

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, 28 August 2015