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 2016

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 2016 (the "Period"), together with the comparative figures for the corresponding period in 2015, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2016

	Notes	**Six months ended 30 June 2016** ***HK$'000*** **(Unaudited)**	Six months ended 30 June 2015 *HK$'000* (Unaudited)
REVENUE	*2, 3*	**1,924,839**	2,093,216
Cost of sales		**(1,621,587)**	(1,763,173)
Gross profit		**303,252**	330,043
Other income and gains, net	*3*	**17,705**	16,895
Selling and distribution expenses		**(60,422)**	(67,078)
Administrative expenses		**(159,619)**	(170,106)
Other operating expenses, net		**(9,040)**	(692)
Finance costs		**(25,948)**	(26,759)
Share of profits less losses of an associate		**–**	(654)

	Notes	**Six months ended 30 June 2016**	Six months ended 30 June 2015
		HK$'000	*HK$'000*
		(Unaudited)	(Unaudited)
PROFIT BEFORE TAX	*4*	**65,928**	81,649
Income tax expense	*5*	**(12,910)**	(13,947)
PROFIT FOR THE PERIOD		**53,018**	67,702
Attributable to:			
Ordinary equity holders of the Company		**55,350**	64,159
Non-controlling interests		**(2,332)**	3,543
		53,018	67,702
Interim dividend	*6*	**Nil**	Nil
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	*7*	**HK6.4 cents**	HK7.4 cents
Diluted	*7*	**HK6.4 cents**	HK7.4 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Six months ended 30 June 2016 HK$'000 (Unaudited)	Six months ended 30 June 2015 HK$'000 (Unaudited)
PROFIT FOR THE PERIOD	**53,018**	67,702
OTHER COMPREHENSIVE INCOME	**–**	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**53,018**	67,702
Attributable to:		
Ordinary equity holders of the Company	**55,350**	64,159
Non-controlling interests	**(2,332)**	3,543
	53,018	67,702

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	30 June 2016 HK$'000 (Unaudited)	31 December 2015 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**2,138,196**	2,116,300
Prepaid land lease payments		**118,787**	63,406
Interest in an associate		**–**	–
Prepayments		**7,848**	8,142
Long term receivables		**30,458**	30,074
Deposits paid		**29,562**	45,080
Goodwill	*10*	**12,728**	–
Deferred tax assets		**2,695**	2,637
Total non-current assets		**2,340,274**	2,265,639
CURRENT ASSETS			
Inventories		**950,284**	1,028,065
Accounts and bills receivable	*8*	**721,571**	816,609
Prepayments, deposits and other receivables		**64,414**	62,524
Equity investment at fair value through profit or loss		**273**	268
Tax recoverable		**82**	118
Pledged deposits		**1,057**	13,586
Cash and cash equivalents		**497,061**	517,573
Total current assets		**2,234,742**	2,438,743

	Notes	30 June 2016 HK$'000 (Unaudited)	31 December 2015 HK$'000 (Audited)
CURRENT LIABILITIES			
Accounts and bills payable	*9*	**556,487**	595,309
Accrued liabilities and other payables		**162,100**	203,573
Derivative financial instruments		**–**	1,218
Due to an associate		**3,081**	3,092
Tax payable		**25,590**	22,184
Interest-bearing bank and other borrowings		**631,572**	705,100
Total current liabilities		**1,378,830**	1,530,476
NET CURRENT ASSETS		**855,912**	908,267
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,196,186**	3,173,906
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**1,122,934**	1,148,710
Deferred tax liabilities		**8,579**	492
Total non-current liabilities		**1,131,513**	1,149,202
Net assets		**2,064,673**	2,024,704
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital		**86,992**	86,992
Reserves		**1,946,799**	1,904,498
		2,033,791	1,991,490
Non-controlling interests		**30,882**	33,214
Total equity		**2,064,673**	2,024,704

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

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

The basis of preparation and accounting policies adopted in preparing these condensed consolidated financial statements are consistent with those adopted in the preparation of the Group's annual financial statements for the year ended 31 December 2015.

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 2016. 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 two reportable operating segments as follows:

(a) the fabric products segment engages in the production and sale of knitted fabric and dyed yarn and the provision of related subcontracting services; and

(b) the "others" segment includes the production and sale of garment products and the provision of related subcontracting services, the provision of air and ocean freight handling 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	Others	Total
	HK$'000	*HK$'000*	*HK$'000*
Six months ended 30 June 2016 (Unaudited)			
Segment revenue:			
Revenue from external customers	**1,924,839**	**–**	**1,924,839**
Segment profits/(losses)	**91,140**	**525**	**91,665**
Bank interest income	**210**	**1**	**211**
Finance costs	**(25,948)**	**–**	**(25,948)**
Profit/(loss) before tax	**65,402**	**526**	**65,928**
Income tax expense	**(12,910)**	**–**	**(12,910)**
Profit/(loss) for the period	**52,492**	**526**	**53,018**
As at 30 June 2016 (Unaudited)			
Assets and liabilities			
Segment assets	**4,566,088**	**6,233**	**4,572,321**
Deferred tax assets	**2,695**	**–**	**2,695**
Total assets	**4,568,783**	**6,233**	**4,575,016**
Segment liabilities	**2,497,897**	**3,867**	**2,501,764**
Deferred tax liabilities	**8,579**	**–**	**8,579**
Total liabilities	**2,506,476**	**3,867**	**2,510,343**
Other segment information:			
Six months ended 30 June 2016 (Unaudited)			
Depreciation and amortisation	**162,984**	**6**	**162,990**
Capital expenditure	**241,929**	**–**	**241,929**

	Fabric	Others	Total
	HK$'000	*HK$'000*	*HK$'000*
Six months ended 30 June 2015 (Unaudited)			
Segment revenue:			
Revenue from external customers	2,093,216	–	2,093,216
Segment profits/(losses)	108,862	(449)	108,413
Bank interest income	648	1	649
Finance costs	(26,759)	–	(26,759)
Share of profits less losses of an associate	–	(654)	(654)
Profit/(loss) before tax	82,751	(1,102)	81,649
Income tax expense	(13,947)	–	(13,947)
Profit/(loss) for the period	68,804	(1,102)	67,702
As at 31 December 2015 (Audited)			
Assets and liabilities			
Segment assets	4,693,850	7,895	4,701,745
Deferred tax assets	2,637	–	2,637
Total assets	4,696,487	7,895	4,704,382
Segment liabilities	2,674,546	4,640	2,679,186
Deferred tax liabilities	492	–	492
Total liabilities	2,675,038	4,640	2,679,678
Other segment information:			
Six months ended 30 June 2015 (Unaudited)			
Depreciation and amortisation	159,733	27	159,760
Capital expenditure	182,105	–	182,105

Geographical information

(a) Revenue from external customers

	Six months ended 30 June 2016	Six months ended 30 June 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Korea	**456,339**	425,014
Mainland China	**330,171**	337,856
Hong Kong	**313,712**	330,230
Singapore	**241,817**	274,707
Taiwan	**228,327**	266,898
Others	**354,473**	458,511
	1,924,839	2,093,216

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

(b) Non-current assets

	30 June 2016	31 December 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Mainland China	**2,212,213**	2,133,675
Hong Kong	**94,894**	98,584
Singapore	**–**	62
Others	**14**	607
	2,307,121	2,232,928

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 2016 *HK$'000* **(Unaudited)**	Six months ended 30 June 2015 *HK$'000* (Unaudited)
Revenue		
Production and sale of knitted fabric and dyed yarn and provision of related subcontracting services	**1,924,839**	2,093,216
Other income		
Fee income from freight handling services	**3,469**	4,093
Bank interest income	**211**	649
Gross rental income	**147**	194
Others	**13,752**	10,429
	17,579	15,365
Gains, net		
Fair value gains/(losses), net:		
Equity investment at fair value through profit or loss – held for trading	**5**	(19)
Derivative financial instruments – transactions not qualified as hedges but matured during the period	**121**	3,022
Derivative financial instruments – transactions not qualified as hedges and not yet matured	**–**	(1,473)
	126	1,530
Other income and gains, net	**17,705**	16,895

4. PROFIT BEFORE TAX

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

	Six months ended 30 June 2016	Six months ended 30 June 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold and services provided	**1,621,587**	1,763,173
Research and development costs	**6,458**	6,169
Depreciation of items of property, plant and equipment	**161,920**	158,848
Amortisation of prepaid land lease payments	**1,070**	912
Employee benefits expense (including directors' remuneration):		
Wages and salaries	**219,956**	225,381
Pension scheme contributions	**25,714**	23,357
	245,670	248,738
Minimum lease payments under operating leases in respect of land and buildings	**3,376**	4,758
(Gain)/loss on disposal of items of property, plant and equipment	**630**	(1,914)
Impairment of accounts receivable, net	**5,259**	1,398
Fair value losses/(gains), net:		
Equity investment at fair value through profit or loss – held for trading	**(5)**	19
Derivative financial instruments – transactions not qualified as hedges but matured during the period	**(121)**	(3,022)
Derivative financial instruments – transactions not qualified as hedges and not yet matured	**–**	1,473
Foreign exchange differences, net	**1,231**	1,196

5. INCOME TAX

	Six months ended 30 June 2016	Six months ended 30 June 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax – Hong Kong		
Charge for the period	**5,680**	4,458
Current tax – Elsewhere		
Charge for the period	**7,202**	8,148
Deferred tax expenses/(credit)	**28**	1,341
Total tax charge for the period	**12,910**	13,947

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 2015: 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 2015: 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$55,350,000 (six months ended 30 June 2015: HK$64,159,000), and the number of 869,919,000 (six months ended 30 June 2015: 869,919,000) ordinary shares in issue during the Period.

The calculation of the diluted earnings per share amount is based on the profit for last year attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation was the weighted average number of ordinary shares in issue during the last year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The Group had no potentially dilutive ordinary shares in issue for the periods ended 30 June 2016 and 30 June 2015.

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 2016	31 December 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 1 month	**254,844**	294,105
1 to 2 months	**180,826**	217,927
2 to 3 months	**196,775**	127,086
Over 3 months	**89,126**	177,491
	721,571	816,609

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 2016	31 December 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 3 months	**448,497**	492,826
3 to 6 months	**105,511**	100,368
Over 6 months	**2,479**	2,115
	556,487	595,309

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

10. BUSINESS COMBINATION

On 1 March 2016, the Group entered into an equity transfer agreement with an independent third party (the "Owner") to acquire a 100% equity interest in 廣州市番禺東涌工業污水處理有限公司 (the "Acquiree"), which owns a government-owned sewage treatment plant in Panyu (the "Plant") and is principally engaged in sewage treatment. The purchase consideration of RMB40,801,500 (equivalent to approximately HK$49,758,000) for the acquisition was to be settled in the form of cash and was paid on 14 March 2016.

The sewage treatment facilities are mainly used to handle the sewage produced in the Group's factory in Panyu. The acquisition benefits the Group's operation efficiency.

The provisional fair value of identifiable assets and liabilities arising from the acquisition are as follows:

	HK$'000
Net assets acquired:	
Property, plant and equipment	29,413
Prepaid land lease payments	21,463
Deposits paid	14
Cash and cash equivalents	3,487
Prepayments, deposits and other receivables	841
Inventories	349
Accrued liabilities and other payables	(10,533)
Tax payable	(3)
Deferred tax liabilities	(8,001)
	37,030
Provisional goodwill arising from acquisition	12,728
Total consideration	49,758
Net cash outflow arising from acquisition:	
Cash consideration	49,758
Cash and cash equivalents acquired	(3,487)
	46,271

Since the acquisition, the acquired business contributed HK$Nil to the Group's revenue and HK$1,340,000 to the consolidated profit for the six months ended 30 June 2016.

It was impractical to provide the information as if the above combination had taken place at the beginning of the year, since the Group was unable to obtain relevant financial information to quantify the operation results of the particular assets and liabilities acquired before the acquisition.

The Group has engaged an independent appraiser to assist with the identification and determination of fair values to be assigned to the assets and liabilities of the acquired company as disclosed above. However, the valuation is not finalized and hence the initial accounting for the business combination of the Acquiree was incomplete by the date of this announcement. Therefore, these amounts recognized in the Group's interim financial statements for the six months ended 30 June 2016 in relation to the above-mentioned acquisition was provided on a provisional basis.

Deferred tax of HK$8,001,000 has been provided in relation to these fair value adjustment.

MANAGEMENT DISCUSSION AND ANALYSIS

The Board of Directors (the "Board") of Kam Hing International Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2016 (the "Period"). The interim financial information is not audited but has been reviewed by the Audit Committee of the Company.

Market Review

During the Period, the global economy experienced a rough ride; the real gross domestic products ("GDP") of the United States ("U.S.") remained weak, the political risks in Europe increased and China's economy continued to slow down, the operating environment for the Chinese textile and garment industry was thus challenging. The U.S., our major end-market, continued its sluggish yet relatively stable economic recovery. According to the Bureau of Labour Statistics, the unemployment rate in the U.S. slightly dropped to 4.9% in June 2016 from 5.0% in December last year; while the growth of GDP slowed down to 0.8% in the first quarter of 2016 from 1.4% in the fourth quarter of 2015.

Under such backdrop, the Group was inevitably affected. However, with our competitive advantages in product diversity and quality in the global textile market, the Group successfully retained a group of loyal and quality customers. Thus, the Group managed to mitigate the negative impact and recorded a set of fair results.

Business Overview

During the Period, the Group's overall revenue reduced by approximately 8.0% to approximately HK$1,924.8 million (six months ended 30 June 2015: approximately HK$2,093.2 million). Gross profit decreased by approximately 8.1% to approximately HK$303.3 million (six months ended 30 June 2015: approximately HK$330.0 million) and gross profit margin maintained at approximately 15.8% (six months ended 30 June 2015: approximately 15.8%). Profit attributable to ordinary equity holders of the Company for the Period decreased by approximately 13.7% to approximately HK$55.4 million (six months ended 30 June 2015: approximately HK$64.2 million), mainly due to decrease in sales amounts. The basic earnings per share for the Period was approximately HK6.4 cents (six months ended 30 June 2015: approximately HK7.4 cents).

Clouded by the uncertainties over the global economy, consumers became increasingly conservative in spending. During the Period, buyers were thus cautious and placed smaller batches orders with short delivery schedule required. This was unfavourable to the Group's operating efficiency and hence affected the gross profit margin. Nevertheless, the increasing awareness towards healthy lifestyles over the last year drove huge demand for functional sportswear, bringing the Group's brand customers a new market to tap in, offsetting the negative impact of the weak demand for the traditional fabric business, so the Group's gross profit margin was sustained at a stable level.

During the Period, the Group's production facilities in Enping (the "Enping Plant") fully supported its brand customers in launching sportswear product lines. With its integrated production facility in the Enping plant, synthetic fabric segment started to contribute meaningful portion of sales to the Group. The Group's another major production plant in Panyu (the "Panyu Plant") maintained smooth upstream operations such as yarn dyeing, fabric knitting, fabric dyeing and processing. Considering the importance of the sewage treatment to the operations of Panyu Plant, the Group acquired 廣州市番禺東涌工業污水處理有限公司 for a cash consideration of RMB40,801,500 in March 2016. The Group benefited from having the ownership and full control over the acquired company and its sewage license, which has a potential market value in the increasingly stringent environmental industry in China.

During the Period, stringent cost control measures were continuously implemented and helped sustain a stable level of profitability. Selling and distribution expenses of the Group were reduced by 9.9%. In times of economic instability, the management believes that disciplined cost control is always an important factor to maintain the viability of a business.

Prospects

Looking ahead to the second half of 2016, the global economy is expected to remain fragile. Among all the advanced economies, the U.S. is observed to keep on with its slow recovery, and it will likely remain as the Group's major market. China, the world's second largest economy with yearly growth, has been regarded as an enormous market, in which the Group's brand customers have been expanding their businesses. Being a reliable and quality supplier of its brand customers in China, the Group will take advantage of its proximity and support its customers' business expansion plans. Regarding the European market, the United Kingdom's decision to exit from the European Union in June added uncertainties to the future growth of the whole Europe. Since then, British Pound and Euro have been weak and this will certainly increase the costs of global sourcing for textile buyers in Europe and suppress the demand.

While the demand for textiles will remain moderate for the second half of 2016, market consolidation will continue on the supply side. Following the stringent national environmental policies and the fluctuating global demand, a number of factories in the Yangtze River Delta has closed down, resulting in a decrease in supply in the Chinese textile industry. In contrast, the Group has remained competitive in the industry by continuously enhancing product diversity, production facilities and capability, as well as the quality over the years. Along with the market consolidation, it is expected that a new equilibrium will be formed, bringing a more solid order book and stable product price to the Group.

Since early 2016, there has been an increasing demand for higher quality fabric from the existing customers of the Group. With the investments in previous years in building the Enping Plant a comprehensive and vertically-integrated textile manufacturing base, the Group is well-equipped to keep in pace with its customers' development and higher expectation in product requirements. The Group is expanding the production capacity of its printing facility by 20% in the Enping Plant and will start the trial run in the fourth quarter. The second phase of fabric knitting facility is also under progress with an aim to self-supply knitted fabric in the Enping Plant for its downstream productions. On top of the facilities, more resources will be allocated for training and hiring technical experts to ensure efficient productions and operations, as well as a better service with the best textile solutions offered to customers.

As mentioned in previous reports, the Group has been considering to develop a manufacturing site in North Vietnam to take advantage of the Trans-Pacific Partnership trade agreement (the "TPP"). Considering the United States presidential election is going to take place in November, which may cause changes in the foreign policy and the arrangement of TPP, the Group will slow down the progress, patiently monitor the development of the U.S. political situation and adjust the expansion strategy in Vietnam when necessary.

The year 2016 is an economically challenging year. The Group will maintain a prudent strategy to alleviate risks by maintaining a low inventory level and implementing strict internal control. Research and development on high-end fabrics and solutions will be continued to further enhance the Group's competitiveness in the industry to weather the headwind ahead.

Financial Review

Revenue

Overall sales turnover achieved approximately HK$1,924.8 million, representing a decrease of approximately 8.0% as compared with approximately HK$2,093.2 million for the six months ended 30 June 2015. The decrease was attributable to the decrease in sales orders.

Gross Profit and Gross Profit Margin

Gross profit was approximately HK$303.3 million, representing a decrease of approximately 8.1% as compared with approximately HK$330.0 million for six months ended 30 June 2015. Gross profit margin remained stable at approximately 15.8% (six months ended 30 June 2015: approximately 15.8%).

Expenses

Selling and distribution expenses decreased to approximately HK$60.4 million (six months ended 30 June 2015: approximately HK$67.1 million), which is in line with the decrease in sales. Administrative expenses, which included salaries, depreciation and other related expenses, reduced to approximately HK$159.6 million (six months ended 30 June 2015: approximately HK$170.1 million) due to the cost control measures.

Net Profit and Net Profit Margin

Net profit attributable to ordinary equity holders of the Company for the Period was approximately HK$55.4 million, representing a decrease of approximately 13.7% as compared with approximately HK$64.2 million for the six months ended 30 June 2015. The decrease in net profit was mainly due to decrease in revenue.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2016, the Group's net current assets were approximately HK$855.9 million (31 December 2015: approximately HK$908.3 million). The decrease in net current assets was mainly due to an increase in investment in non-current assets. 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 2016, the Group had cash and cash equivalents of approximately HK$497.1 million (31 December 2015: approximately HK$517.6 million). Current ratio was approximately 1.6 times (31 December 2015: approximately 1.6 times).

As at 30 June 2016, total bank and other borrowings of the Group were approximately HK$1,754.5 million (31 December 2015: approximately HK$1,853.8 million). The Group's net debt gearing ratio (net debts divided by the sum of equity and net debts) was at approximately 49.3% (31 December 2015: approximately 51.8%). Net debts comprise all interest-bearing bank and other borrowings, accounts and bills payable, an amount due to an associate and accrued liabilities and other payables less cash and cash equivalents. Sum of equity comprises owners' equity as stated in the consolidated financial statements.

Financing

As at 30 June 2016, the Group's long-term loans were approximately HK$1,122.9 million (31 December 2015: approximately HK$1,148.7 million), comprising syndicated loan and term loans from banks of approximately HK$1,115.2 million (31 December 2015: approximately HK$1,137.6 million) and long-term finance lease payable of approximately HK$7.8 million (31 December 2015: approximately HK$11.1 million).

Foreign Exchange Risk and Interest Rate Risk

Approximately 69.0% (six months ended 30 June 2015: approximately 68.1%) of the Group's sales was denominated in U.S. dollars. The remaining sales were denominated in Hong Kong dollars and Renminbi. The majority of the Group's costs of sales were denominated in U.S. dollars, Hong Kong dollars and Renminbi. The Group is therefore exposed to foreign exchange risk arising from currency exposures, primarily in respect to Renminbi. The management closely monitors the foreign exchange movements and determines the appropriate hedging activities when necessary.

The Group's borrowings were mainly maintained on 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 on Group's Assets

As at 30 June 2016, certain items of property, plant and equipment of the Group with an aggregate net book value of approximately HK$34.2 million (31 December 2015: approximately HK$36.6 million) were under finance leases.

Capital Expenditure

For the Period, the Group invested approximately HK$241.9 million (six months ended 30 June 2015: approximately HK$182.1 million) in capital expenditure of which approximately 70.9% (six months ended 30 June 2015: approximately 84.9%) was used for the purchase of plant and machinery, approximately 23.3% (six months ended 30 June 2015: 0.7%) was used for payment on prepaid land lease payment, and the remaining was used for the purchase of other property, plant and equipment.

As at 30 June 2016, the Group had capital commitments of approximately HK$86.6 million (31 December 2015: approximately HK$57.1 million) in property, plant and equipment. All are funded or will be funded by internal resources.

Contingent Liabilities

As at 30 June 2016, the Group did not have any significant contingent liabilities (31 December 2015: As disclosed in notes 31 and 40 to the financial statements of the Group for the year ended 31 December 2015 in the annual report for 2015, during the year ended 31 December 2013, one of the Group's subsidiaries in the PRC entered into an agreement (the "Sewage Agreement") with the Owner, pursuant to which the Group has the right to operate the Plant. The Group has undertaken to indemnify the Owner for any shortfall in the net asset value of the Plant by the end of the lease terms (the "Indemnity"). On 1 March 2016, the Group entered into a supplemental agreement to the Sewage Agreement with the Owner, in which both parties agreed to early terminate the Sewage Agreement effective from 1 March 2016, and release the rights and obligation entitled by the Owner and the Group under the Sewage Agreement. Therefore, the Indemnity was released subsequent to year end).

Material Acquisition and Disposal

On 1 March 2016, the Group entered into an equity transfer agreement with the Owner to acquire a 100% equity interest in 廣州市番禺東涌工業污水處理有限公司 at a cash consideration of RMB40,801,500 (equivalent to approximately HK$49,758,000). 廣州市番禺東涌工業污水處理有限公司 has become subsidiary of the Group. Further details of such acquisition were set out in the Company's announcement dated 1 March 2016.

Except for the above, there was no material acquisition and disposal of subsidiaries and associated companies by the Group during the Period.

Staff Policy

The Group had 6,369 (31 December 2015: 6,385) employees in the PRC and 150 (31 December 2015: 165) employees in Hong Kong, Macau, Singapore and Korea as at 30 June 2016. 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 six months ended 30 June 2016 (six months ended 30 June 2015: 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 38 to the financial statements of the Group for the year ended 31 December 2015 in the annual report for 2015, on 26 June 2013, a previous subcontractor of the Group (the "Subcontractor Plaintiff") filed a claim to the PRC Court against the Guangzhou Municipal Land Resources and Housing Administrative Bureau (the "Bureau") claiming that the Bureau performed invalid verification procedures when issuing a land and building certificate in respect of a parcel of land in Panyu (the "Land") to the Group. The Land was previously owned by the Subcontractor Plaintiff and acquired by the Group pursuant to a sale and purchase agreement (the "Sale and Purchase Agreement") entered into during the year ended 31 December 2011.

On 21 September 2015, the Group applied to the PRC Court to sequestrate the buildings attached to the Land and the Land (the "Properties"). The Group filed a separate claim against Subcontractor Plaintiff to the PRC Court (the "Land Case"), demanding the Subcontractor Plaintiff to honour the Sale and Purchase Agreement to re-transfer the title of the Properties to the Group.

On 31 March 2016, a hearing on the Land Case was held but was adjourned for further evidence to be submitted. As at the approval date of these interim financial statements, the hearing date for the Land Case was yet to be fixed.

Taking into account the latest ruling granted by the Intermediate People's Court, Guangzhou, on 21 December 2015, the facts and the merits of the legal ground substantiated at the Subcontractor Plaintiff Case, and the opinion given by the Group's PRC legal counsel, the directors of the Company consider that the PRC Court will likely order the Subcontractor Plaintiff to honour the Sale and Purchase Agreement and to re-transfer the land and building certificate of the Land to the Group. Accordingly, no provision regarding liabilities arising therefrom had been made by the Group and the Group continued to recognise the Properties at their carrying amounts of RMB22.8 million (equivalent to HK$27.9 million) (31 December 2015: RMB23.5 million (equivalent to HK$28.6 million)) in these financial statements as at 30 June 2016.

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, risk management and internal control of the Group. The Audit Committee has discussed with management the accounting policies adopted by the Group and reviewed the unaudited interim financial statements of the Group for the Period before recommending them to the Board for approval.

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, 29 August 2016