



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
REPORT
2016**

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Tai Chin Chun (*Chairman*)
Mr. Tai Chin Wen (*Chief Executive Officer*)
Ms. Cheung So Wan
Ms. Wong Siu Yuk
Mr. Chong Chau Lam
Mr. Wong Wai Kong, Elmen

Independent Non-Executive Directors

Mr. Chan Yuk Tong, Jimmy
Ms. Chu Hak Ha, Mimi
Mr. Ho Gilbert Chi Hang

Audit Committee

Mr. Chan Yuk Tong, Jimmy (*Chairman*)
Ms. Chu Hak Ha, Mimi
Mr. Ho Gilbert Chi Hang

Remuneration Committee

Ms. Chu Hak Ha, Mimi (*Chairman*)
Mr. Chan Yuk Tong, Jimmy
Mr. Ho Gilbert Chi Hang

Nomination Committee

Mr. Ho Gilbert Chi Hang (*Chairman*)
Mr. Chan Yuk Tong, Jimmy
Ms. Chu Hak Ha, Mimi

Company Secretary

Mr. Lei Heong Man, Ben

Auditors

Ernst & Young
Certified Public Accountants

Company Website

www.kamhingintl.com

Registered Office

Cricket Square
Hutchins Drive, P. O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head Office and Principal Place of Business in Hong Kong

Unit A on 23rd Floor
TML Tower
3 Hoi Shing Road
Tsuen Wan
New Territories
Hong Kong

Principal Share Registrar and Transfer Office in Cayman Islands

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P. O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Branch Share Registrar and Transfer Office in Hong Kong

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Stock Code

The Stock Exchange of
Hong Kong Limited: 02307

MANAGEMENT DISCUSSION AND ANALYSIS

The Board of Directors (the "Board") of Kam Hing International Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 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).

Business Overview (continued)

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 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 approximately 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.

Prospects (continued)

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%).

Financial Review (continued)

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 an independent third party (the "Owner"), pursuant to which the Group has the right to operate a government-owned sewage treatment plant in Panyu (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).

OTHER INFORMATION

Disclosures Pursuant to Rule 13.21 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “LISTING RULES”)

Pursuant to the facility agreement dated 25 August 2015 and entered into among the Company and two other subsidiaries of the Company as guarantors, a wholly-owned subsidiary of the Company as the borrower and a syndicate of banks as lenders, a term loan facility in an aggregate sum of HK\$1,000.0 million for a term of three and a half years was made available to the subsidiary of the Company repayable in four equal instalments on the dates falling 24, 30, 36 and 42 months after the date of the facility agreement. An event of default would arise if, either of or taken together, Mr. Tai Chin Chun and Mr. Tai Chin Wen either: (i) do not or cease to own, directly or indirectly, at least 40% of the beneficial interest in the Company, carrying at least 40% of the voting right, free from any security interest, (ii) are not or cease to be the single largest shareholder of the Company, (iii) do not or cease to have management control of the Group or (iv) do not or cease to appoint or nominate the majority of the Board or is not the chairman of the Company, the commitments under the loan facility may be cancelled and all amounts outstanding under the loan facility may become immediately due and payable.

Directors’ Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2016, the interests and short positions of the directors or the chief executive of the Company in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”), were as follows:

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

Long positions in ordinary shares and underlying shares of the Company:

Name of director	Notes	Capacity and nature of interest				Approximate percentage of the Company's issued share capital (%)
		Beneficial owner (shares)	Interest of spouse (shares)	Interest in controlled corporation (shares)	Total interests (shares)	
Mr. Tai Chin Chun	1	3,000,000	1,000,000	332,600,000	336,600,000	38.69
Mr. Tai Chin Wen	2	2,000,000	1,000,000	96,000,000	99,000,000	11.38
Ms. Cheung So Wan	3	1,000,000	335,600,000	–	336,600,000	38.69
Ms. Wong Siu Yuk	4	1,000,000	98,000,000	–	99,000,000	11.38
Mr. Chong Chau Lam		300,000	–	–	300,000	0.03

Notes:

- 332,600,000 shares are held by Exceed Standard Limited ("Exceed Standard"), a company incorporated in the British Virgin Islands (the "BVI") and beneficially owned by Mr. Tai Chin Chun, the chairman and an executive director of the Company. As Ms. Cheung So Wan is his spouse, Mr. Tai Chin Chun is deemed to be interested in the 1,000,000 shares held by Ms. Cheung So Wan under the SFO.
- 96,000,000 shares are held by Power Strategy Limited ("Power Strategy"), a company incorporated in the BVI and beneficially owned by Mr. Tai Chin Wen. As Ms. Wong Siu Yuk is his spouse, Mr. Tai Chin Wen is deemed to be interested in the 1,000,000 shares held by Ms. Wong Siu Yuk under the SFO.
- Ms. Cheung So Wan is deemed to be interested in the shares held by her spouse, Mr. Tai Chin Chun, under the SFO.
- Ms. Wong Siu Yuk is deemed to be interested in the shares held by her spouse, Mr. Tai Chin Wen, under the SFO.

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

Save as disclosed above, as at 30 June 2016, none of the directors nor the chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Option Scheme

The Company adopted a share option scheme (the "Scheme") on 9 June 2014 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, any consultant, advisor, manager or officer who provides research, development, other technological support or services to the Group, the Company's shareholders, and any non-controlling shareholder of the Company's subsidiaries. The Scheme became effective on 11 June 2014 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares which may be allotted and issued upon the exercise of the share options to be granted under the Scheme is 86,991,900 shares, representing 10% of the share capital of the Company as at the date of approval of the Scheme. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

Share Option Scheme (continued)

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the Board, and commences after a certain vesting period (if any) and ends on a date which is not later than 10 years from the date of offer of the share options.

The exercise price of the share options is determinable by the Board, but may not be less than the higher of: (i) the nominal value of the Company's shares; (ii) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (iii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

Share options do not confer any rights on the holders to dividends or to vote at shareholders' meetings.

No share options had been granted during the Period under the Scheme and there was no outstanding share option as at 30 June 2016.

Persons who Have an Interest or Short Position which is Discloseable under Divisions 2 and 3 of Part XV of The SFO

So far as is known to the directors and the chief executive of the Company, as at 30 June 2016, the following persons (not being directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long positions:

Name	Capacity and nature of interest (Note)	Number of ordinary shares held	Percentage of the Company's issued share capital (%)
Exceed Standard	Beneficial owner	332,600,000	38.23
Power Strategy	Beneficial owner	96,000,000	11.04

Note: The relationship between Exceed Standard and Mr. Tai Chin Chun, as well as that between Power Strategy and Mr. Tai Chin Wen are disclosed in the notes under the section headed "Directors' interests and short positions in shares and underlying shares" above.

Save as disclosed above, as at 30 June 2016, no person, other than the directors or the chief executive of the Company whose interests are set out under the sections headed "Directors' interests and short positions in shares and underlying shares" and "Share option scheme" above, had an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register pursuant to Section 336 of the SFO.

Purchase, Redemption or Sale of Listed Securities of the Company

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

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 sequester 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 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.

Model Code For Securities Transactions By Directors

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code for securities transactions by directors of the Company. Having made specific enquiry of all directors, the directors have confirmed that they have complied with the required standard set out in the Model Code for the Period.

Approval of the Unaudited Interim Financial Statements

The unaudited interim financial statements were approved and authorised for issue by the Board on 29 August 2016.

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)
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	8	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	12	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	9	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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2016

	Notes	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
CURRENT LIABILITIES			
Accounts and bills payable	10	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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to ordinary equity holders of the Company									
	Issued capital	Share premium account	Capital reserve	Statutory surplus reserve	Other reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
At 1 January 2015	86,992	446,105	104,804	45,137	(9,360)	327,657	1,024,703	2,026,038	47,658	2,073,696
Total comprehensive income for the period	-	-	-	-	-	-	64,159	64,159	3,543	67,702
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	(2,481)	(2,481)
Transfer to statutory surplus reserve	-	-	-	1,959	-	-	(1,959)	-	-	-
At 30 June 2015	86,992	446,105	104,804	47,096	(9,360)	327,657	1,086,903	2,090,197	48,720	2,138,917
At 1 January 2016	86,992	446,105	104,804	49,115	(12,093)	248,895	1,067,672	1,991,490	33,214	2,024,704
Total comprehensive income for the period	-	-	-	-	-	-	55,350	55,350	(2,332)	53,018
Final 2015 dividend declared and paid	-	-	-	-	-	-	(13,049)	(13,049)	-	(13,049)
At 30 June 2016	86,992	446,105	104,804	49,115	(12,093)	248,895	1,109,973	2,033,791	30,882	2,064,673

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

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)
NET CASH FLOW FROM OPERATING ACTIVITIES	302,896	109,357
Purchases of items of property, plant and equipment	(156,066)	(180,855)
Net cash outflow on acquisition of a subsidiary	(46,271)	–
Other cash flow arising (used in)/from investing activities	(6,289)	4,676
NET CASH FLOW USED IN INVESTING ACTIVITIES	(208,626)	(176,179)
Drawdown of bank loans	775,417	1,270,978
Repayment of bank loans	(872,277)	(1,153,419)
Dividend paid	(13,049)	–
Other cash flow used in financing activities	(4,873)	(6,191)
NET CASH FLOW (USED IN)/FROM FINANCING ACTIVITIES	(114,782)	111,368
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(20,512)	44,546
Cash and cash equivalents at beginning of period	517,573	487,283
CASH AND CASH EQUIVALENTS AT END OF PERIOD	497,061	531,829
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	497,061	531,829

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.

2. OPERATING SEGMENT INFORMATION (continued)

	Fabric HK\$'000	Others HK\$'000	Total 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

2. OPERATING SEGMENT INFORMATION (continued)

	Fabric HK\$'000	Others HK\$'000	Total 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

2. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	Six months ended 30 June 2016 HK\$'000 (Unaudited)	Six months ended 30 June 2015 HK\$'000 (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 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (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.

2. OPERATING SEGMENT INFORMATION (continued)

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

3. REVENUE, OTHER INCOME AND GAINS, NET (continued)

	Six months ended 30 June 2016 HK\$'000 (Unaudited)	Six months ended 30 June 2015 HK\$'000 (Unaudited)
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 HK\$'000 (Unaudited)	Six months ended 30 June 2015 HK\$'000 (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 HK\$'000 (Unaudited)	Six months ended 30 June 2015 HK\$'000 (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. PROPERTY, PLANT AND EQUIPMENT

The changes in the net book value of property, plant and equipment for the six months ended 30 June 2016 are analysed as follows:

	HK\$'000
At 1 January 2016 (Audited)	2,116,300
Additions	156,066
Acquisition of a subsidiary (Note 12)	29,413
Disposals	(1,663)
Depreciation	(161,920)
At 30 June 2016 (Unaudited)	2,138,196

As at 30 June 2016, the Group was in the process of applying the building ownership certificates in respect of certain self-used properties with net book value of approximately HK\$5.6 million (31 December 2015: HK\$5.8 million) and approximately HK\$82.3 million (31 December 2015: HK\$106.7 million) situated in Panyu and EnPing, the PRC, respectively. The Company's directors confirmed that, based on the advice from the Company's legal counsel, as the Group has properly obtained the land use right certificates in respect of the land on which the aforementioned self-used properties are located, and therefore are in the opinion that there is no legal barrier or otherwise for the Group to obtain the building ownership certificates from the relevant Mainland China authority.

9. ACCOUNTS AND BILLS RECEIVABLE

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

9. ACCOUNTS AND BILLS RECEIVABLE (continued)

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

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (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

10. ACCOUNTS AND BILLS PAYABLE

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

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (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.

11. COMMITMENTS

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

Capital commitments

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Contracted but not provided for:		
Purchases of machinery	53,925	41,043
Construction in progress	32,664	16,783
	86,589	57,826

The Group had outstanding commitments amounting to HK\$97,380,000 (31 December 2015: HK\$114,231,000) as at the end of the reporting period in respect of irrevocable letters of credit.

12. BUSINESS COMBINATION

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 (the "Acquiree"), which owns 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.

12. BUSINESS COMBINATION (continued)

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

	Note	HK\$'000
Net assets acquired:		
Property, plant and equipment	8	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)
		<u>37,030</u>
Provisional goodwill arising from acquisition		<u>12,728</u>
		<u>49,758</u>
Net cash outflow arising from acquisition:		
Cash consideration		49,758
Cash and cash equivalents acquired		(3,487)
		<u>46,271</u>

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 adjustments.

13. RELATED PARTY TRANSACTIONS

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

	Notes	Six months ended 30 June 2016 HK\$'000 (Unaudited)	Six months ended 30 June 2015 HK\$'000 (Unaudited)
Rental expenses on office premises and staff quarters paid to Tai Chin Chun and Tai Chin Wen	(i)	201	417
Rental expenses on staff quarters paid to Cheung So Wan and Wong Siu Yuk	(ii)	278	113

Notes:

- (i) The Group entered into tenancy agreements with Mr. Tai Chin Chun and Mr. Tai Chin Wen, directors of the Company, for the rental of (i) office premises at monthly rentals of HK\$27,000 from 1 May 2016 (2015: HK\$45,000 from 1 January 2014) for terms of two years, and (ii) staff quarters at monthly rentals of HK\$24,500 from 1 January 2016 (2015: HK\$24,500 from 1 January 2014) for terms of two years, based on the terms mutually agreed by both parties. The tenancy agreements for the rental of an office premise at a monthly rental of HK\$18,000 and another office premise at a monthly rental of HK\$27,000 were early terminated effective from 31 July 2015 and 30 June 2015, respectively.

13. RELATED PARTY TRANSACTIONS (continued)

- (a) (continued)

Notes: (continued)

- (ii) The Group entered into tenancy agreements with Ms. Cheung So Wan and Ms. Wong Siu Yuk, directors of the Company, for the rental of (i) staff quarters at monthly rental of approximately HK\$18,293 from 1 January 2016 for terms of four years (2015: HK\$18,750 from 1 January 2013 for terms of three years), and (ii) car park spaces at monthly rentals of HK\$20,000 (2015: Nil) and HK\$8,000 (2015: Nil) from 1 June 2015 and 1 July 2015, respectively, for terms of two years, based on the terms mutually agreed by both parties.
- (b) The Group is still in the process of applying for the land use planning for construction work permit, construction project and planning permit, commencement of construction work permit in respect of a six-storey factory building, with a net book value of approximately HK\$2.0 million (31 December 2015: HK\$2.1 million) as at 30 June 2016.

Each of Mr. Tai Chin Chun and Mr. Tai Chin Wen, directors of the Company, together with their respective spouses, who are deemed as the shareholders of the Company under the Securities and Futures Ordinance, have given joint and several indemnities in favour of the Group in respect of aforementioned buildings/structures.

- (c) Outstanding balances with related party:

Details of the Group's balances with its associate as at the end of the reporting period is unsecured, interest-free and has no fixed terms of repayment.

13. RELATED PARTY TRANSACTIONS (continued)

(d) Compensation of key management personnel of the Group:

	Six months ended 30 June 2016 HK\$'000 (Unaudited)	Six months ended 30 June 2015 HK\$'000 (Unaudited)
Short-term employee benefits	12,322	15,699
Post-employment benefits	90	134
	12,412	15,833

14. TRANSFERS OF FINANCIAL ASSETS

Transferred financial assets that are not derecognised in their entirety

At 30 June 2016, the Group endorsed certain bank bills receivable in the PRC (the "Endorsed Bills") with a carrying amount of RMB52,565,000 (equivalent to HK\$64,103,000) (2015: RMB42,330,000 (equivalent to HK\$51,622,000)) to certain suppliers in order to settle the accounts payable due to such suppliers (the "Endorsement"). In the opinion of the directors, the Group has retained the substantial risk and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated accounts payable settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of accounts payable settled by the Endorsed Bills during the Period to which the suppliers have recourse was RMB52,565,000 (equivalent to HK\$64,103,000) (2015: RMB42,330,000 (equivalent to HK\$51,622,000)) as at 30 June 2016.

14. TRANSFERS OF FINANCIAL ASSETS (continued)

Transferred financial assets that are derecognised in their entirety

At 30 June 2016, the Group endorsed certain bank bills receivable in the PRC (the "Derecognised Bills") which were originally endorsed by its customers, to certain of its suppliers for settling the trade payables due to such suppliers with a carrying amount in aggregate of RMB25,637,000 (equivalent to HK\$31,265,000) (2015: RMB12,663,000 (equivalent to HK\$15,443,000)). The Derecognised Bills have a remaining maturity from one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors of the Company, the Group has transferred substantially all risk and rewards related to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors of the Company, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the periods ended 30 June 2016 and 30 June 2015, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the periods or cumulatively. The Endorsement has been made evenly throughout the periods ended 30 June 2016 and 30 June 2015.

15. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 29 August 2016.