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 2018

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 2018 (the "Period"), together with the comparative figures for the corresponding period in 2017, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018

	Notes	**Six months ended 30 June 2018** ***HK$'000*** **(Unaudited)**	Six months ended 30 June 2017 *HK$'000* (Unaudited)
REVENUE	*2, 3*	**2,149,004**	1,937,170
Cost of sales		**(1,829,481)**	(1,660,856)
Gross profit		**319,523**	276,314
Other income and gains, net	*3*	**15,160**	19,562
Selling and distribution expenses		**(60,212)**	(52,802)
Administrative expenses		**(162,254)**	(148,849)
Other operating expenses, net		**(5,460)**	(4,618)
Finance costs		**(31,426)**	(26,692)

	Notes	**Six months ended 30 June 2018** **HK$'000** **(Unaudited)**	Six months ended 30 June 2017 HK$'000 (Unaudited)
PROFIT BEFORE TAX	4	**75,331**	62,915
Income tax expense	5	**(21,674)**	(11,693)
PROFIT FOR THE PERIOD		**53,657**	51,222
Attributable to:			
Ordinary equity holders of the Company		**53,694**	51,215
Non-controlling interests		**(37)**	7
		53,657	51,222
Interim dividend	6	**Nil**	Nil
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	7	**HK6.2 cents**	HK5.9 cents
Diluted	7	**HK6.2 cents**	HK5.9 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Six months ended 30 June 2018	Six months ended 30 June 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**53,657**	51,222
OTHER COMPREHENSIVE INCOME		
Other comprehensive income may be reclassified to profit or loss in subsequent periods:		
Realisation of exchange fluctuation reserve upon deregistration of a subsidiary	**356**	(1,817)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**54,013**	49,405
Attributable to:		
Ordinary equity holders of the Company	**54,050**	49,398
Non-controlling interests	**(37)**	7
	54,013	49,405

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	**30 June 2018 HK$'000 (Unaudited)**	31 December 2017 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**2,017,104**	2,050,261
Prepaid land lease payments		**130,109**	131,232
Goodwill		**3,072**	3,072
Interest in an associate		**–**	–
Prepayments		**8,401**	6,896
Long term receivables		**32,039**	31,633
Deposits paid		**16,586**	24,795
Deferred tax assets		**4,274**	4,409
Total non-current assets		**2,211,585**	2,252,298
CURRENT ASSETS			
Inventories		**1,406,030**	1,164,546
Accounts and bills receivable	*8*	**871,112**	846,745
Prepayments, deposits and other receivables		**110,504**	40,840
Equity investment at fair value through profit or loss		**172**	314
Tax recoverable		**–**	–
Pledged deposits		**6,663**	9,875
Cash and cash equivalents		**569,655**	421,723
Total current assets		**2,964,136**	2,484,043

	Notes	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
CURRENT LIABILITIES			
Accounts and bills payable	9	**564,251**	660,460
Accrued liabilities and other payables		**195,878**	195,825
Due to an associate		**1,926**	2,706
Tax payable		**24,729**	23,181
Bank advance for discounted bills		**37,298**	–
Interest-bearing bank and other borrowings		**998,008**	706,820
Total current liabilities		**1,822,090**	1,588,992
NET CURRENT ASSETS		**1,142,046**	895,051
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,353,631**	3,147,349
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**1,240,285**	1,087,994
Deferred tax liabilities		**7,443**	7,465
Total non-current liabilities		**1,247,728**	1,095,459
Net assets		**2,105,903**	2,051,890
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital		**86,992**	86,992
Reserves		**2,017,216**	1,963,166
		2,104,208	2,050,158
Non-controlling interests		**1,695**	1,732
Total equity		**2,105,903**	2,051,890

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 2017, except for the adoption of new standards as described below.

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 2018.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments

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 period and no retrospective adjustment is made.

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 sewage treatment 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 2018 (Unaudited)			
Segment revenue:			
Revenue from external customers	**2,078,906**	**70,098**	**2,149,004**
Segment profits/(losses)	**104,280**	**2,312**	**106,592**
Bank interest income	**160**	**5**	**165**
Finance costs	**(31,186)**	**(240)**	**(31,426)**
Profit/(loss) before tax	**73,254**	**2,077**	**75,331**
Income tax credit/(expense)	**(21,711)**	**37**	**(21,674)**
Profit for the period	**51,543**	**2,114**	**53,657**
As at 30 June 2018 (Unaudited)			
Assets and liabilities			
Segment assets	**4,976,396**	**195,051**	**5,171,447**
Deferred tax assets	**4,274**	**–**	**4,274**
Total assets	**4,980,670**	**195,051**	**5,175,721**
Segment liabilities	**2,986,376**	**75,999**	**3,062,375**
Deferred tax liabilities	**780**	**6,663**	**7,443**
Total liabilities	**2,987,156**	**82,662**	**3,069,818**
Other segment information:			
Six months ended 30 June 2018 (Unaudited)			
Depreciation and amortisation	**164,371**	**2,934**	**167,305**
Capital expenditure	**130,565**	**1,881**	**132,446**

	Fabric	Others	Total
	HK$'000	*HK$'000*	*HK$'000*
Six months ended 30 June 2017 (Unaudited)			
Segment revenue:			
Revenue from external customers	1,937,170	–	1,937,170
Segment profits/(losses)	89,679	(213)	89,466
Bank interest income	138	3	141
Finance costs	(26,692)	–	(26,692)
Profit/(loss) before tax	63,125	(210)	62,915
Income tax credit/(expense)	(12,063)	370	(11,693)
Profit for the period	51,062	160	51,222
As at 31 December 2017 (Audited)			
Assets and liabilities			
Segment assets	4,630,458	101,474	4,731,932
Deferred tax assets	4,409	–	4,409
Total assets	4,634,867	101,474	4,736,341
Segment liabilities	2,651,106	25,880	2,676,986
Deferred tax liabilities	600	6,865	7,465
Total liabilities	2,651,706	32,745	2,684,451
Other segment information:			
Six months ended 30 June 2017 (Unaudited)			
Depreciation and amortisation	158,997	1,839	160,836
Capital expenditure	121,274	17,023	138,297

Geographical information

(a) Revenue from external customers

	Six months ended 30 June 2018	Six months ended 30 June 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Korea	**630,851**	462,276
Mainland China	**576,318**	478,982
Hong Kong	**263,772**	230,221
Taiwan	**174,334**	203,613
Singapore	**156,262**	172,322
Others	**347,467**	389,756
	2,149,004	1,937,170

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

(b) Non–current assets

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Mainland China	**2,069,313**	2,106,854
Hong Kong	**89,851**	94,174
Cambodia	**15,985**	15,165
Singapore	**120**	57
Others	**3**	6
	2,175,272	2,216,256

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 2018	Six months ended 30 June 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue		
Production and sale of knitted fabric and dyed yarn and provision of related subcontracting services	**2,078,906**	1,937,170
Production and sale of garment products and provision of related subcontracting services	**70,098**	–
	2,149,004	1,937,170
Other income		
Fee income from freight handling services	**3,761**	3,735
Bank interest income	**165**	140
Gross rental income	**155**	147
Others	**11,221**	15,710
	15,302	19,732
Gains, net		
Fair value gains/(losses), net:		
Equity investment at fair value through profit or loss – held for trading	**(142)**	(170)
Other income and gains, net	**15,160**	19,562

4. PROFIT BEFORE TAX

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

	Six months ended 30 June 2018	Six months ended 30 June 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold and services provided	**1,829,481**	1,660,856
Research and development costs	**6,408**	5,555
Depreciation of items of property, plant and equipment	**165,548**	159,377
Amortisation of prepaid land lease payments	**1,757**	1,459
Employee benefits expense (including directors' remuneration):		
Wages and salaries	**246,473**	221,760
Pension scheme contributions	**27,503**	26,434
	273,976	248,194
Minimum lease payments under operating leases in respect of land and buildings	**3,832**	2,945
(Gain)/loss on disposal of items of property, plant and equipment	**30**	(482)
Impairment of accounts receivable, net	**(1,512)**	1,709
Fair value losses/(gains), net:		
Equity investment at fair value through profit or loss – held for trading	**142**	170
Loss/(gain) on deregistration of a subsidiary	**356**	(1,817)
Foreign exchange differences, net	**2,728**	(708)

5. INCOME TAX

	Six months ended 30 June 2018	Six months ended 30 June 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax – Hong Kong		
Charge for the period	**4,322**	3,996
Current tax – Elsewhere		
Charge for the period	**6,398**	7,381
Underprovision in prior years	**10,841**	–
Deferred tax expenses	**113**	316
Total tax charge for the period	**21,674**	11,693

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 2017: 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 2017: 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$53,694,000 (six months ended 30 June 2017: HK$51,215,000), and the number of 869,919,000 (six months ended 30 June 2017: 869,919,000) ordinary shares in issue during the Period.

The Group had no potentially dilutive ordinary shares in issue for the periods ended 30 June 2018 and 30 June 2017.

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 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 1 month	**371,466**	328,404
1 to 2 months	**244,681**	239,766
2 to 3 months	**151,517**	123,326
Over 3 months	**103,448**	155,249
	871,112	846,745

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 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 3 months	**516,249**	610,280
3 to 6 months	**47,013**	48,627
Over 6 months	**989**	1,553
	564,251	660,460

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

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 2018 (the "Period"). The interim financial information is not audited but has been reviewed by the Audit Committee of the Company.

Market Review

In the first half of 2018, frequent global economic activities resumed under the backdrop of rebounding trade, favourable financial conditions and positive consumer sentiment. For the Group's largest end-market in fabric business, the United States (the "U.S.") experienced a strong economic growth with the highest consumer confidence since 2008. The index of consumer sentiment hit an average of 98.6 for the first six months in 2018 whereas the index was 63.7 in 2008. The unemployment rate also reached the lowest rate of 3.9% in April 2018 since 2008. This optimism was because of the U.S. citizens' favourable job and income prospects.

China continued to be the Group's second largest end-market in fabric business, with revenue contribution rose to 27% from 23% in 2017. Riding on the wave of global economic recovery, China maintained its growth momentum with ongoing optimisation and upgrade of economic structure. China's GDP growth reached 6.8% year-on-year during the Period.

Despite the robust economic recovery, dark clouds were looming with the rocky U.S.-China trade relationship towards the end of the Period. Tough talks between the U.S. and China led to rising trade tensions, in particular the U.S. was the end export market for 15.5% of total textile and garment products in China in 2017. Adhered to the strategies of maintaining high flexibility in times of dynamic market cycles and pursuing excellence in product quality and operation efficiency, the Group will continue to cautiously monitor the regional economic changes, and solidify its competitiveness as well as its leading position of an integrated textile solutions provider.

Business Overview

The Group is pleased to present a set of satisfactory results for the Period. Revenue for the Period recorded an increase of 10.9% year-on-year from HK$1,937.2 million for six months ended 30 June 2017 to HK$2,149.0 million for the Period, as both the sales volume and average selling price manifested increment. The augmented sales volume was a result of the ongoing market consolidation due to the tight environmental control by the China government. The Group, being one of the leading market players received strong orders over the Period and successfully raised the average selling price and profit margin of its products as a result.

For the Period, the Group's gross profit rose by 15.6% to HK$319.5 million (six months ended 30 June 2017: HK$276.3 million); profit attributable to the ordinary equity holders of the Company recorded a mild increase of 4.9% to HK$53.7 million (six months ended 30 June 2017: HK$51.2 million). The growth was partly nibbled by the increase in raw material price, distribution costs, selling expenses, staff salaries and finance costs, as well as the early investment in the new garment plant set up in Cambodia. The basic earnings per share for the Period was HK6.2 cents, increased by 5.1% when compared with HK5.9 cents in six months ended 30 June 2017.

For the Period, the geographic mix of the Group's end markets in fabric business showed slight difference from the last corresponding period. The U.S. maintained its position as the Group's primary market with 65.0% revenue contribution (six months ended 30 June 2017: 64.4%). Ranking the second, China's business grew by 25.6% to HK$553.5 million, accounting for 26.6% of the overall revenue (six months ended 30 June 2017: 22.8%). This trend was in line with the Group's proven strategy to diversify its customers and to put stronger focus on China's market. This year, the operating environment has become more complicated along with the escalating US-China trade war (the "Trade War"). Although no direct impact resulted from the Trade War at this stage, the Group purposely increased the inventory level of raw materials to mitigate the rising raw material costs early this year in order to mitigate the risk from indirect impact of the Trade War.

As an integrated textile solutions provider, the Group stayed concentrated on enriching its product portfolio and extending its value chain to downstream garment manufacturing. On top of the traditional textile-related products, the Group continued to strengthen its research and development in synthetic fabrics for functional garments, such as outdoor sportswear and children's wear. The Group also retapped into the garment industry by setting up a garment plant in Cambodia in 2017, which commenced full operation in early 2018. The strategic move allows the Group to offer more comprehensive textile and garment solutions to its customers and enjoy a relatively low labour costs and the duty free exports to the European Union and Canada. The plant was at a ramp-up stage in the first half of 2018 and accumulated a considerable amount of order backlogs. It is expected that the plant will operate in full capacity in the near future.

Prospects

Looking ahead to the second half of 2018, the Trade War is heating up with increasing concerns on its global impacts. President Trump of the U.S. proposed three rounds of punitive tariffs on China's imported goods worth USD 250 billion, which accounted for half of China's exports to the U.S. in 2017. In early July 2018, the U.S. government already imposed 25% tariffs on an initial $34 billion of Chinese imports. President Trump later threatened to impose tariffs on all Chinese merchandise worth US505 billion, which might have tremendous impact on the global product demand and pricing.

As at the date of this announcement, the Group, as a fabric manufacturer, is not directly affected by the Trade War yet. However, ripple effect of the Trade War could be foreseen on the global economy, consumer sentiment and inflation in the U.S. in the next couple of months. Therefore, the Group would consider a second production base outside China for lower costs and flexible export condition.

In the face of challenging operating environment, the Group will remain a high degree of sensitivity on the market changes, while at the same time place stronger efforts on enhancing production competency through research and development, penetrating into China market and outreaching new customers in other locations. The Group will also maintain close contacts with its customers and suppliers for remedies for all possible outcomes of the Trade War.

Since its establishment in 2017, the Group's garment factory in Cambodia has operated in a good progress with increasing order book. Its strategic location outside China also shields it from the adverse impacts of the Trade War. In view of the good prospect, the Group is making further investment in increasing its production capacity in Cambodia to accelerate the momentum.

On the other hand, the Group decided to start a property development project with its approximately 300-mu land in Enping, Guangdong province. The land will be developed by phases and in the first phase, an approximately 40-mu land will be developed into a residential project. Construction is expected to begin in late 2018 and the pre-sale will commence in 2019. The Directors anticipate that this residential property project will take advantage of the population growth anticipated in Enping and increasing traffic flow brought by the Greater Bay Area initiative promoted by the central government. With the land acquired in 2005, the low land cost provides much higher flexibility on the Group in planning and pricing for this very first property development project.

The group will build up a professional project team to monitor the project progress, and engage experience construction group as contractor on this development together with regional property agent for marketing exercise.

The Board believes that the project is in the best interest of the Company and its shareholders to rejuvenate its asset portfolio and realise the value of the land.

Financial Review

Revenue

Overall sales turnover achieved approximately HK$2,149.0 million, representing an increase of approximately 10.9% (six months ended 30 June 2017: HK$1,937.2 million). The increase was mainly attributable to the increase in both sales volume and average selling price.

Gross Profit and Gross Profit Margin

Gross profit was approximately HK$319.5 million, representing an increase of approximately 15.6% (six months ended 30 June 2017: approximately HK$276.3 million). Gross profit margin increased slightly to approximately 14.9% (six months ended 30 June 2017: approximately 14.3%), which was mainly attributable to increased unit price together with continuous optimisation of clientele.

Other Income and Expenses

Other income of approximately HK$15.2 million (six months ended 30 June 2017: approximately HK$19.6 million) mainly comprised approximately HK$4.0 million (six months ended 30 June 2017: approximately HK$2.5 million) from income received from sewage treatment provided, approximately HK$3.8 million (six months ended 30 June 2017: approximately HK$3.7 million) from fee on air and ocean freight, and approximately HK$2.8 million (six months ended 30 June 2017: approximately HK$1.2 million) from sales of scrap, and approximately HK$0.7 million (six months ended 30 June 2017: approximately HK$2.0 million) from sales of excess steam generated by the power plant to nearby facilities in the district. The remaining balance was primarily the result of rental income and bank interest income. No subsidy income from PRC government during the period (six months ended 30 June 2017: approximately HK$7.7 million).

Selling and distribution expenses increased to approximately HK$60.2 million (six months ended 30 June 2017: approximately HK$52.8 million) , which is in line with the increase in sales. Administrative expenses, which included salaries, depreciation, custom declaration and other related expenses, increased to approximately HK$162.3 million (six months ended 30 June 2017: approximately HK$148.8 million) due to the expansion of company's business.

Net Profit and Net Profit Margin

Net profit attributable to ordinary equity holders of the Company for the Period was approximately HK$53.7 million, representing a year-on-year increase of approximately 4.9% (six months ended 30 June 2017: approximately HK$51.2 million). The increase in net profit was mainly due to an increase in gross profit outweighed the increase in expenses. Net profit margin decreased to approximately 2.5% (six months ended 30 June 2017: approximately 2.6%).

Liquidity and Financial Resources

As at 30 June 2018, the Group's net current assets were approximately HK$1,142.0 million (31 December 2017: approximately HK$895.1 million). The increase in net current assets was mainly due to increase in inventories. As mentioned in Business Overview, the increase in inventory level is a response to the uncertainty arising from the Trade War. 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 2018, the Group had cash and cash equivalents of approximately HK$569.7 million (31 December 2017: approximately HK$421.7 million). Current ratio was approximately 1.6 times (31 December 2017: approximately 1.6 times).

As at 30 June 2018, total bank and other borrowings of the Group were approximately HK$2,238.3 million (31 December 2017: approximately HK$1,794.8 million). The Group's net debt gearing ratio (net debts divided by the sum of equity and net debts) was at approximately 54.0% (31 December 2017: approximately 52.1%). 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 2018, the Group's long-term loans were approximately HK$1,240.3 million (31 December 2017: approximately HK$1,088.0 million), comprising syndicated loan and term loans from banks. The increase in long-term loans was mainly due to the drawdown of several term loans during the Period.

Interim Dividend

The Board has resolved not to recommend the payment of an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

Foreign Exchange Risk and Interest Rate Risk

Approximately 61.7% (six months ended 30 June 2017: approximately 65.8%) 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 the Renminbi. The exchange rates of other currencies were relatively stable throughout the Period and immaterial on our cost structure. The management closely monitors the foreign exchange movements and determines the appropriate hedging activities when necessary.

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

Charge of Group's Assets

As at 30 June 2018, certain items of property, plant and equipment of the Group with an aggregate net book value of approximately HK$16.3 million (31 December 2017: approximately HK$17.5 million) were under finance leases.

As at 30 June 2018, certain of the Group's land and buildings with a net carrying amount of approximately HK$58.6 million (31 December 2017: HK$60.4 million) were pledged to secure a bank loan of HK$12.8 million (31 December 2017: HK$15.6 million) granted to the Group.

Capital Expenditure

For the Period, the Group invested approximately HK$132.4 million (six months ended 30 June 2017: approximately HK$138.3 million) in capital expenditure of which approximately 94.7% (31 December 2017: approximately 89.8%) was used for the purchase of plant and machinery, approximately 0.4% (six months ended 30 June 2017: approximately 3%) was used for the construction of new factory premises, and the remaining was used for the purchase of other property, plant and equipment.

As at 30 June 2018, the Group had capital commitments of approximately HK$53.3 million (31 December 2017: approximately HK$56.3 million) in property, plant and equipment and approximately HK$194.1 million (31 December 2017: approximately HK$194.1 million) in construction of new manufacturing facilities. All are funded or will be funded by internal resources.

Contingent Liabilities

As at 30 June 2018, the Group did not have any significant contingent liabilities (31 December 2017: Nil).

Staff Policy

The Group had 6,073 (31 December 2017: 5,988) employees in the PRC, 864 employees in Cambodia (31 December 2017: 778) and 128 employees in Hong Kong, Macau, Singapore, Korea and others as at 30 June 2018 (31 December 2017: 116). 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.

The Group operates a defined contribution retirement benefit scheme under the Mandatory Provident Fund Schemes Ordinance as well as medical insurance for all its employees in Hong Kong. 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. Also, the Group is obliged to provide its employees in the PRC with welfare schemes covering various insurance and social benefits. Staff benefits are also provided to the staff working in other countries according to the respective countries' statutory requirements.

The Company maintains a share option scheme, pursuant to which share options may be granted to selected eligible participants, with a view to providing an appropriate incentive package for the growth of the Group.

Material Acquisition and Disposal

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE

The Company is committed to maintaining good corporate governance practices. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth and enhancing shareholders value. The Company has applied the principles and complied with the 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. Wu Tak Lung (as Chairman), Mr. Ho Gilbert Chi Hang and Mr. Ting Kay Loong, 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.

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.

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, and Mr. Chong Chau Lam as executive directors; Dr. Wong Wai Kong as non-executive director; and Mr. Ho Gilbert Chi Hang, Mr. Ting Kay Loong, and Mr. Wu Tak Lung as independent non-executive directors.

By Order of the Board
Kam Hing International Holdings Limited
Tai Chin Chun
Chairman

Hong Kong, 20 August 2018