KITH HOLDINGS LIMITED
僑威集團有限公司*

(Incorporated in Bermuda with limited liability)
(Stock code: 1201)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH JUNE, 2013

INTERIM RESULTS

The Board of Directors (the "Board") of Kith Holdings Limited (the "Company") wishes to announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2013, together with the comparative figures for the corresponding period of 2012. The details are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		(Unaudited) Six months ended 30th June,	
		2013	2012
	Notes	***HK$'000***	*HK$'000*
Continuing operations			
Revenue	4	**578,161**	1,087,630
Cost of sales		**(443,685)**	(949,967)
Gross profit		**134,476**	137,663
Other income		**3,432**	3,250
Distribution and selling expenses		**(3,657)**	(3,779)
Administrative expenses		**(74,722)**	(63,965)
Impairment losses on trade and other receivables, deposits and prepayments		**(168,080)**	–
Fair value loss on held-for-trading investments		**(115)**	(327)
Fair value gain on other financial assets		**202**	1,532
Impairment loss on available-for-sale investments		**(379)**	(440)
Finance costs		**(17,473)**	(10,484)
Loss on disposal of an associate	10	**(44,413)**	–
Share of loss in an associate		**(364)**	(4,385)
(Loss) Profit before tax	5	**(171,093)**	59,065
Income tax expense	6	**(17,457)**	(12,193)
(Loss) Profit for the period from continuing operations		**(188,550)**	46,872

	Notes	(Unaudited) Six months ended 30th June, 2013 HK$'000	2012 HK$'000
Discontinued operation			
Profit for the period from discontinued operation	9	**–**	37,169
(Loss) Profit for the period		**(188,550)**	84,041
(Loss) Profit for the period attributable to:			
Owners of the Company			
From continuing operations		**(211,598)**	22,030
From discontinued operation		**–**	37,169
		(211,598)	59,199
Non-controlling interests			
From continuing operations		**23,048**	24,842
From discontinued operation		**–**	–
		23,048	24,842
		(188,550)	84,041
(Loss) Earnings per share for profit attributable to owners of the Company:	7		
From continuing and discontinued operations			
Basic		**HK(80.93) cents**	HK22.64 cents
Diluted		**HK(80.93) cents**	HK22.64 cents
From continuing operations			
Basic		**HK(80.93) cents**	HK8.43 cents
Diluted		**HK(80.93) cents**	HK8.43 cents
From discontinued operation			
Basic		**–**	HK14.21 cents
Diluted		**–**	HK14.21 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	(Unaudited) Six months ended 30th June, 2013 *HK$'000*	2012 *HK$'000*
(Loss) Profit for the period	**(188,550)**	84,041
Other comprehensive income for the period:		
Exchange differences arising on translation of foreign operations	**12,705**	(7,976)
Fair value adjustment on available-for-sale investments	**(1,718)**	–
Other comprehensive income (loss) for the period, net of tax	**10,987**	(7,976)
Total comprehensive (loss) income for the period	**(177,563)**	76,065
Total comprehensive (loss) income for the period attributable to:		
Owners of the Company	**(205,427)**	54,496
Non-controlling interests	**27,864**	21,569
	(177,563)	76,065

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	(Unaudited) As at 30th June, 2013 HK$'000	(Audited) As at 31st December, 2012 HK$'000
Non-current Assets			
Property, plant and equipment		**615,709**	590,230
Prepaid lease payments		**17,091**	17,431
Interest in an associate	10	**–**	55,701
Deposit paid for acquisition of property under development		**26,047**	25,636
Deposits paid for acquisition of property, plant and equipment		**–**	37,141
Available-for-sale investments		**20,365**	22,461
Deferred tax assets		**132**	130
Total non-current assets		**679,344**	748,730
Current Assets			
Inventories		**162,319**	162,780
Trade and other receivables from third parties, deposits and prepayments	11	**571,999**	797,085
Tax recoverable		**81**	277
Prepaid lease payments		**613**	613
Short-term loans receivable		**54,761**	51,533
Held-for-trading investments		**685**	796
Other financial assets		**202**	1,009
Bank balances and cash		**127,588**	57,044
Total current assets		**918,248**	1,071,137

	Notes	**(Unaudited) As at 30th June, 2013** ***HK$'000***	(Audited) As at 31st December, 2012 *HK$'000*
Current Liabilities			
Trade and other payables	12	**203,866**	199,006
Tax liabilities		**12,461**	13,153
Dividend payable to non-controlling shareholders		**35,426**	15,058
Borrowings	13	**516,335**	548,037
Obligation under finance lease – due within one year		**108**	375
Total current liabilities		**768,196**	775,629
Net Current Assets		**150,052**	295,508
Total Assets Less Current Liabilities		**829,396**	1,044,238
Non-current Liabilities			
Obligation under finance lease – due after one year		**–**	16
Deferred tax liabilities		**50,526**	47,503
Total non-current liabilities		**50,526**	47,519
Net Assets		**778,870**	996,719
Capital and Reserves			
Share capital	14	**26,145**	26,145
Share premium and reserves		**392,304**	597,731
Equity attributable to:			
Owners of the Company		**418,449**	623,876
Non-controlling interests		**360,421**	372,843
Total Equity		**778,870**	996,719

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General information

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The directors consider Accufit Investments Inc., a company incorporated in the British Virgin Islands, to be the parent and ultimate holding company of the Company. The address of the registered office and principal place of business of the Company are Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and 1st Floor, Hing Lung Commercial Building, 68 Bonham Strand East, Hong Kong, respectively.

On 23rd December, 2011, the Stock Exchange granted an approval in principle (the "In Principle Approval") for the Group to spin off its design, development and sale of integrated circuits business through a separate listing of Megalogic Technology Holdings Limited ("Megalogic Holdings"), a then subsidiary of the Company, on the Growth Enterprise Market ("GEM") of the Stock Exchange (the "Spin-off").

The Spin-off was completed on 19th January, 2012. Upon the completion of the Spin-off, the Group's interest in Megalogic Holdings was diluted from 52.01% to 39.01% and resulted in losing control of Megalogic Holdings. Megalogic Holdings was deconsolidated from that date and the investment in Megalogic Holdings was recognised as interest in an associate. For the presentation of the condensed consolidated interim financial statements for the six months ended 30th June, 2012, the design, development and sale of integrated circuits business was regarded as "discontinued operation". Details are set out in note 9.

2. Basis of preparation

The Group's unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The condensed consolidated interim financial statements have been reviewed by the Audit Committee of the Company and were approved by the Board on 30th August, 2013. The unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31st December, 2012.

As at 30th June, 2013, the Group incurred total borrowings of HK$516,335,000 (the "Borrowings"). Out of the Borrowings, an aggregate amount of approximately HK$417,857,000 ("Aggregate Overdue Amounts") of trust receipt loans and other loans was overdue at 30th June, 2013 and up to the date of this announcement.

These conditions indicate the existence of a material uncertainty that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

In the opinion of the directors of the Company, the Group will, subject to the following arrangements, be able to maintain itself as a going concern in the foreseeable future:

(1) In respect of the Aggregate Overdue Amounts, the Group has negotiated with the banks and other loan lenders and obtaining permission to suspend the repayment of the Aggregate Overdue Amounts, in order to allow the Group time to find new financing sources.

(2) The Group is currently in confidential discussions with third party investors who have indicated interest in investing in the Company.

3. Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2012, as described in the annual financial statements.

- HKFRS 10, "Consolidated Financial Statements". Under HKFRS 10, subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group has power over an entity, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The Group has applied HKFRS 10 retrospectively in accordance with the transition provisions of HKFRS 10.

  The adoption of HKFRS 10 had no impact to the Group's results and financial position.

- HKFRS 11, "Joint Arrangements". Under HKFRS 11, investments in joint arrangements are classified either as joint operations or joint ventures, depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement. Under HKFRS 11, the jointly-controlled entities have been assessed to be joint ventures.

  The adoption of HKFRS 11 had no impact to the Group's results and financial position.

- HKFRS 13, "Fair Value Measurement". The Group has included the disclosures for financial assets (see Note 5) and non-financial assets (see Note 17).

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

There are no other new or amended standards and interpretations that are effective for the first time for the Period that could be expected to have a material impact on the Group.

The following new or amended standards and interpretations have been issued but are not yet effective for the financial year beginning 1 January 2013 and have not been early adopted:

- HKAS 32 (Amendment) – Financial Instruments: Presentation[1]
- HKAS 36 (Amendment) – Recoverable Amount Disclosures for Non-financial Assets[1]
- HKFRS 7 and HKFRS 9 (Amendments) – Mandatory Effective Date and Transition Disclosures[2]
- HKFRS 9 – Financial Instruments[2]
- HKFRS 10, HKFRS 12 and HKAS 27 (revised 2011) (Amendments) – Investment Entities[1]
- HK(IFRIC) Interpretation 21 – Levies[1]

[1] Changes effective for annual periods beginning on or after 1 January 2014
[2] Changes effective for annual periods beginning on or after 1 January 2015

The Group anticipates that the application of the above new or amended standards and interpretations has no material impact on the results and the financial position of the Group.

4. Revenue and segment information

Segment information

Management has determined the operating segments based on the reports reviewed by the executive directors that are used to make strategic decisions. The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other operating segments.

The Group is currently organised into three main operating segments for continuing operations-printing and manufacturing of packaging products, distribution of television business-related products and distribution of other electronic and related products. For the six months ended 30th June, 2012, the Group's design, development and sale of integrated circuits operating segment was re-classified as discontinued operation.

Segment turnover and results

The following is an analysis of the Group's turnover and results by reportable segment.

	Continuing operations				Discontinued operation	
	Printing and manufacturing of packaging products	Distribution of television business-related products	Distribution of other electronic and related products	Total	Design, development and sale of integrated circuits	The Group Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Six months ended 30th June, 2013 (Unaudited)						
SEGMENT REVENUE						
Reportable segment revenue	390,283	25,427	162,451	578,161	–	578,161
Elimination of inter-segment revenue	–	–	–	–	–	–
Consolidated revenue	390,283	25,427	162,451	578,161	–	578,161
SEGMENT RESULTS						
Reportable segment profit/(loss)	71,948	(5,037)	464	67,375	–	67,375
Interest income				237	–	237
Fair value loss on held-for-trading investments				(115)	–	(115)
Impairment loss on trade and other receivables, deposits and prepayment				(168,080)	–	(168,080)
Impairment loss on available-for-sale investments				(379)	–	(379)
Fair value gain on other financial assets				202	–	202
Share of loss in an associate				(364)	–	(364)
Loss on disposal of an associate				(44,413)	–	(44,413)
Unallocated corporate expenses				(8,083)	–	(8,083)
Finance costs				(17,473)	–	(17,473)
Consolidated loss before tax				(171,093)	–	(171,093)

	Continuing operations				Discontinued operation	
	Printing and manufacturing of packaging products	Distribution of television business-related products	Distribution of other electronic and related products	Total	Design, development and sale of integrated circuits	The Group Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Six months ended 30th June, 2012 (Unaudited)						
SEGMENT REVENUE						
Reportable segment revenue	407,036	49,864	631,082	1,087,982	–	1,087,982
Elimination of inter-segment revenue	–	–	(352)	(352)	–	(352)
Consolidated revenue	407,036	49,864	630,730	1,087,630	–	1,087,630
SEGMENT RESULTS						
Reportable segment profit/(loss)	71,803	(3,463)	14,875	83,215	–	83,215
Interest income				467	–	467
Fair value loss on held-for-trading investments				(327)	–	(327)
Impairment loss on available-for-sale investments				(440)	–	(440)
Fair value gain on other financial assets				1,532	–	1,532
Share of loss in an associate				(4,385)	–	(4,385)
Gain recognised on deemed disposal of interest in a subsidiary				–	37,169	37,169
Unallocated corporate expenses				(10,513)	–	(10,513)
Finance costs				(10,484)	–	(10,484)
Consolidated profit before tax				59,065	37,169	96,234

Segment assets

The following is an analysis of the Group's assets by reportable segment.

	Continuing operations				Discontinued operation	
	Printing and manufacturing of packaging products	Distribution of television business-related products	Distribution of other electronic and related products	Total	Design, development and sale of integrated circuits	The Group Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 30th June, 2013 (Unaudited)						
SEGMENT ASSETS						
Reportable segment assets	1,129,983	18,277	395,717	1,543,977	–	1,543,977
Available-for-sale investments				20,365	–	20,365
Deferred tax assets				132	–	132
Tax recoverable				81	–	81
Deposits paid for acquisition of properties under development				26,047	–	26,047
Held-for-trading investments				685	–	685
Other financial assets				202	–	202
Unallocated corporate assets				6,103	–	6,103
Consolidated total assets				1,597,592	–	1,597,592

	Continuing operations				Discontinued operation	
	Printing and manufacturing of packaging products	Distribution of television business-related products	Distribution of other electronic and related products	Total	Design, development and sale of integrated circuits	The Group Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31st December, 2012 (Audited)						
SEGMENT ASSETS						
Reportable segment assets	1,129,248	27,060	545,695	1,702,003	–	1,702,003
Interest in an associate				55,701	–	55,701
Available-for-sale investments				22,461	–	22,461
Deferred tax assets				130	–	130
Tax recoverable				277	–	277
Deposits paid for acquisition of properties under development				25,636	–	25,636
Held-for-trading investments				796	–	796
Unallocated corporate assets				12,863	–	12,863
Consolidated total assets				1,819,867	–	1,819,867

5. (Loss) Profit for the period from continuing operations before taxation

(Loss) Profit for the period from continuing operations before taxation has been arrived at after charging/(crediting):

	(Unaudited)	
	Six months ended 30th June,	
	2013	2012
	HK$'000	*HK$'000*
Staff costs	**59,334**	57,261
Retirement benefits scheme contributions	**7,040**	6,483
Total staff costs including directors' emoluments	**66,374**	63,744
Cost of inventories recognised as an expense	**(443,685)**	949,967
Depreciation of property, plant and equipment	**27,513**	26,543
Amortisation of prepaid lease payments	**306**	306
Loss on disposal of property, plant and equipment	**–**	910
Interest income	**(237)**	(467)

6. Income tax expense

	(Unaudited)	
	Six months ended 30th June,	
	2013	2012
	HK$'000	*HK$'000*
Continuing operations:		
The charge comprises:		
Current tax:		
Hong Kong Profits Tax	**–**	1,520
Taxation outside Hong Kong	**14,553**	12,192
	14,553	13,712
Deferred tax charge/(credit)	**2,904**	(1,519)
	17,457	12,193

Hong Kong Profits Tax is calculated at 16.5% (2012: 16.5%) of the estimated assessable profit for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Taxation outside Hong Kong represents the enterprise income tax of the People's Republic of China (the "PRC") calculated at the applicable rates on the estimated assessable profit of the Group's PRC subsidiaries for the relevant period.

7. (Loss) Earnings per share

From continuing operations

The calculation of the basic and diluted earnings per share from continuing operations attributable to owners of the Company is based on the following data:

	(Unaudited) Six months ended 30th June,	
	2013	2012
	HK$'000	*HK$'000*
(Loss) Earnings		
(Loss) Profit for the period attributable to owners of the Company	**(211,598)**	59,199
Less: Profit for the period attributable to owners of the Company from discontinued operation	**–**	(37,169)
(Loss) Earnings for the purposes of basic and diluted earnings per share from continuing operations	**(211,598)**	22,030

	(Unaudited) Six months ended 30th June,	
	2013	2012
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**261,453,600**	261,453,600
Basic (loss) earnings per share (in HK cents)	**(80.93)**	8.43
Diluted (loss) earnings per share (in HK cents)	**(80.93)**	8.43

For the six months ended 30th June, 2013 and 2012, diluted earnings per share is the same as the basic earnings per share as there were no dilutive potential ordinary shares in existence during both periods.

From discontinued operation

Basic and diluted earnings per share for the discontinued operation is HK0 cents per share (2012: HK14.21 cents per share), based on the profit for the period attributable to owners of the Company from discontinued operation of approximately HK$0 (2012: HK$37,169,000) and the denominators detailed above for both basic and diluted earnings per share.

8. Dividends

No interim dividend in respect of the six months ended 30th June, 2013 is declared. An interim dividend of HK1.8 cents per share for the six months ended 30th June, 2012, totalling HK$4,706,000, was paid in November 2012.

No final dividend was proposed for the year 31st December, 2012. The 2011 final dividend of HK4.3 cents per ordinary share, totalling HK$11,243,000, was paid in July 2012.

9. Discontinued operation

On 4th May, 2011, the Company announced a possible deemed disposal transaction by way of the spin-off of design, development and sale of integrated circuits business through a separate listing of Megalogic Holdings on the GEM of the Stock Exchange. Details are set out in note 1.

The Spin-off was completed and Megalogic Holdings was successfully listed on GEM of the Stock Exchange on 19th January, 2012. Upon completion of the Spin-off, a gain of approximately HK$37,169,000, being the difference between the fair value of interest retained by the Group and the net assets of Megalogic Holdings effectively held by the Group together with the goodwill recognised, was recognised in the condensed consolidated income statement of the Group for the six months ended 30th June, 2012.

The net assets of Megalogic Holdings at the date of deemed disposal were as follows:

	Six months ended 30th June, 2012 *HK$'000*
Fair value of interest retained in interest in an associate upon loss of control of a subsidiary	62,415
Assets of a disposal group classified as held for sale disposed of	49,299
Liabilities directly associated with a disposal group classified as held for sale disposed of	(3,293)
Net assets disposed of	(46,006)
Non-controlling interests	20,760
Gain recognised on deemed disposal of interest in a subsidiary	37,169

The gain recognised on deemed disposal is included in the profit for the period from discontinued operation in the condensed consolidated income statement.

An amount of approximately HK$132,000 in asset revaluation reserve is transferred to retained profits upon the deemed disposal.

10. Interest in an associate

	(Unaudited) 30th June, 2013 *HK$'000*	(Audited) 31st December, 2012 *HK$'000*
Fair value of listed investment retained upon loss of control of a subsidiary	–	62,415
Share of loss in an associate	–	(6,714)
	–	55,701

The interest in an associate as at 31st December, 2012 represents a 39.01% interest in Megalogic Holdings, a company with shares listed on the GEM of the Stock Exchange.

On 16th April, 2013, the Group disposed 99.9% of its interest in Megalogic Holdings and it ceased to be an associate of the Group since that date. The remaining 0.01% interest in Megalogic Holdings is then accounted for as held-for-trading investments in the condensed consolidated statement of financial position.

The loss on disposal of the associate is as follows:

	Six months ended 30th June, 2013 (Unaudited) *HK$'000*
Net consideration received from disposal	10,922
Carrying amount of the interest in an associate disposed	(55,335)
Loss on disposal of an associate	(44,413)

11. Trade and other receivables from third parties, deposits and prepayments

The Group allows an average credit period of 30 to 120 days to its trade customers. Included within trade and other receivables from third parties, deposits and prepayments are trade receivables balance of HK$515,266,000 (31st December, 2012: HK$775,712,000), the aged analysis of this balance is as follows:

	(Unaudited) 30th June, 2013 *HK$'000*	(Audited) 31st December, 2012 *HK$'000*
Within 60 days	**107,755**	578,407
Within 61 – 90 days	**11,920**	52,572
More than 90 days	**395,591**	144,733
	515,266	775,712

12. Trade and other payables

Included within trade and other payables are trade payables balance of HK$146,303,000 (31st December, 2012: HK$138,573,000), the aged analysis of this balance is as follows:

	(Unaudited) 30th June, 2013	(Audited) 31st December, 2012
	HK$'000	*HK$'000*
Within 60 days	**48,243**	82,370
Within 61 – 90 days	**17,592**	7,397
More than 90 days	**80,468**	48,806
	146,303	138,573

13. Borrowings

	(Unaudited) 30th June, 2013	(Audited) 31st December, 2012
	HK$'000	*HK$'000*
Current liabilities		
Bank overdraft	**6,293**	3,874
Short-term bank borrowings	**236,796**	150,416
Long-term bank borrowings		
– portion of bank loans due for repayment within one year	**–**	17,770
– portion of term loans from bank due for repayment after one year which contain a repayment on demand clause	**–**	38,676
Factoring loans	**–**	5,760
Trust receipt loans	**196,168**	242,378
Other loans	**77,078**	89,163
Total borrowings	**516,335**	548,037
Analysed as:		
Secured	**124,988**	117,999
Unsecured	**391,347**	430,038
	516,335	548,037

At 30th June, 2013, the Group's borrowings were due for repayment as follows, which are based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause:

	(Unaudited) 30th June, 2013 *HK$'000*	(Audited) 31st December, 2012 *HK$'000*
Carrying amount repayable:		
On demand or within one year	**516,335**	509,361
After one year but within two years	**–**	28,089
After two years but within five years	**–**	10,587
	516,335	548,037

14. Share capital

	Number of shares	**Amount** *HK$'000*
Ordinary shares of HK$0.1 each		
Authorised:		
At 1st January, 2012, 1st January, 2013 and 30th June, 2013	**1,000,000,000**	100,000
Issued and fully paid:		
At 1st January, 2012, 1st January, 2013 and 30th June, 2013	**261,453,600**	26,145

15. Capital commitments

	(Unaudited) 30th June, 2013 *HK$'000*	(Audited) 31st December, 2012 *HK$'000*
Capital expenditure in respect of the acquisition of tangible assets:		
– authorised but not contracted for	**26,085**	–
– contracted for	**–**	2,314

The amounts are not provided in the condensed consolidated financial statements.

16. Contingent liabilities

The Group had no significant contingent liabilities at the date of condensed consolidated statement of financial position.

17. Related party transactions

During the period under review, the Group had transactions with the related parties as follows:

		(Unaudited)	
		Six months ended 30th June,	
Related parties	**Nature of transactions**	**2013**	2012
		HK$'000	*HK$'000*
Oncapital Limited	Rental paid by the Group	**219**	438

As at 30th June, 2013, the Company borrowed a loan from an independent third party with outstanding balance of HK$29,228,000 which was secured by share charge of the issued shares of Oncapital Limited, and personal guarantee executed by Mr. Hui King Chun.

Remuneration of key management personnel

The remuneration of directors and other members of key management during the period is as follows:

	(Unaudited)	
	Six months ended 30th June,	
	2013	2012
	HK$'000	*HK$'000*
Short-term benefits	**1,672**	1,638
Post-employment benefits	**15**	13
	1,687	1,651

The remuneration of directors and key executives is determined having regard to the performance of individuals and market trends.

Save as disclosed above, there were no other significant transactions with related parties during the period or significant balances with them as at 30th June, 2013.

INTERIM DIVIDEND

The Board do not recommend the payment of an interim cash dividend (2012: HK1.8 cents) for the six months ended 30th June, 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

Operation Results

The first six months of 2013 has been a difficult time for the Group.

Total turnover of the Group from continuing operations for the six months ended 30th June, 2013 substantially declined 46.8% to HK$578,161,000 from the corresponding period in 2012. Loss attributable to owners of the Company amounted to HK$211,598,000 for the six months ended 30th June, 2013. This is the first time the Group reported a loss attributable to owners of the Company. The loss is mainly attributable to the loss on disposal of an associate of HK$44,413,000 and an impairment loss on trade receivables of HK$168,080,000.

During the six months ended 30th June 2013, the Group had disposed 99.9% of its interest in Megalogic Holdings, a then associate company of the Group, in the open market for a net consideration of approximately HK$10,922,000, resulting in a loss on disposal of an associate of HK$44,413,000, in order to generate working capital for the Group. Details of this transaction had been disclosed in the Company's announcements dated 16th April, 2013 and 18th April, 2013.

The decline in sales turnover of the Group was the result of a serious deterioration of the business segment of distribution of electronic and related products. The sales turnover of this business segment decreased from HK$630,730,000 to HK$162,451,000. From the beginning of year 2013, the banking facilities for this business segment had continued to squeeze, and was frozen entirely on April 2013. As the trading business of this business segment relied mainly on the bank trading facilities and opening of documentary credits for purchases, consequently the Group was unable to provide purchases by the existing customers since May 2013. This, in turn, caused the business of this segment to come to a halt, and the existing customers of the Group also suffered from shortage of supply from the Group and a lot of them had to readjust their operational models for this change. Many of these customers were facing short term cashflow problem because of this change and their repayment of the Group's trade debts was slowed down. After assessing the recoverability, and taking into consideration the lengthening repayment period of these debtors, an impairment allowance of HK$168,080,000 had been made and charged to the condensed consolidated income statement for the six months ended 30th June, 2013.

The slowing down of collection of these trade receivables directly led to the liquidity issues of the Group. Because of this, the Group was unable to repay its borrowings from banks and other financial institutions on time. As at 30th June, 2013 and at the date of this announcement, an amount of approximately HK$417,857,000 of trust receipt loans and other loans became overdue. The Group has negotiated with banks and other lenders and obtaining permission to suspend repayment of the borrowings, allowing the Group time to find new replacement financing. The Group is now in confidential discussion with third party investors who have indicated interest in investing in the Company.

On 23rd April, 2013, a debenture ("Debenture") was executed by certain members of the Group in favour of the security trustee for banks to which borrowings are currently owing by the Group. The Debenture constitutes a fixed and floating charge over certain of the assets of the relevant members of the Group. It was provided as a continuing security for the payment and discharge in full of the outstanding secured obligations of the members of the Group towards the banks.

The Board considers that as a matter of commercial reality, the Debenture is an essential step forward by the Group with a view to achieving a prompt and satisfactory restructuring of the outstanding debts owing to the Banks, including those currently overdue. The Directors are of the view that it is in the interest of the Company and its shareholders to provide the Debenture to the Banks.

Administrative expenses from continuing operations also increased by approximately HK$10,757,000 mainly due to the increase in corporate promotion expenses and staff costs of Yunnan Qiaotong Package Printing Co., Ltd. ("Yunnan Qiaotong").

Business Overview

Package printing division

The turnover from package printing business for the six months ended 30th June, 2013 was HK$390,283,000, representing a very slight decrease from the same period of 2012. Gross profit margin for the six months ended 30th June, 2013 is approximately 33.3% (2012: 27.9%). Gross profit from the package printing business, which remains the core business of the Group, accounted for approximately 96.6% of the Group's total gross profit for the six months ended 30th June, 2013. This division contributes a profit before tax of HK$71,948,000, relatively the same compared to the corresponding period in 2012.

The Group continued to invest for upgrading and improving the technologies and capabilities of the package printing division. The new sophisticated printing machinery ordered from Bobst SA costing approximately CHF4,180,000 had been installed and had started production in the second half of 2012.

Distribution business

Television business-related products

Turnover from the distribution business of television business-related products (consisting mainly of television sets and converter boxes distributed to USA customers) during the six months ended 30th June, 2013 amounted to HK$25,470,000, representing a decrease of 49.0% from the corresponding period in 2012.

The Group's USA subsidiary, Kith Consumer Product Inc. ("KCPI"), continues to promote the Group's owned brand of "Affinity" television sets and "KCPI" converter boxes. It incurred a loss of HK$5,037,000 in the six months ended 30th June, 2013. The management has been closely monitoring the prospect of this division in the future.

Other electronic and related products

Turnover from the distribution business of other electronic and related products (consisting mainly of computer components and portable storage devices distributed to customers in Hong Kong and PRC) for the six months ended 30th June, 2013 amounted to HK$162,451,000, a drastic decrease of 74.2% compared to the corresponding period in 2012. The significant decrease in turnover was due to the inability of the Group to secure trading facilities from banks for purchase of goods.

Operations and cashflows of the customers were further affected as we had failed to supply goods to these customers. As a result a lot of accounts receivables from these customers were long overdue.

The Group had instructed solicitors to issue debt collection letters to these customers and constantly reminded them their obligations to repay the amounts owing the Group.

After assessing the recoverability of these debtors, an impairment allowance of HK$168,080,000 was provided for the outstanding account receivables and this was the main reason for the Group to report a loss for the six months ended 30th June, 2013.

Signing of Letter of Intent

On 10th July, 2012, Ever Honest Industries Limited, a wholly-owned subsidiary of the Company and a 60% owner of Yunnan Qiaotong, entered into a letter of intent ("Letter of Intent") with 昭通市人民政府 (Zhaotong People's Government) in respect of the proposed relocation of the package printing plant of Yunnan Qiaotong to Zhaoyang Industrial Park by 2015, the proposed redevelopment of the original site of the plant and the proposed upgrade of the printing facilities of Zhaotong Xinqiao Printing Co., Ltd., a wholly-owned subsidiary of Yunnan Qiaotong ("Zhaotong Xinqiao").

The proposed relocation was estimated to involve capital investment of approximately RMB530,000,000, of which approximately RMB200,000,000 would be for land acquisition and construction of the new plant, and approximately RMB330,000,000 would be for the acquisition of new equipment in stages.

After completion of the relocation of the package printing plant by 2015, Yunnan Qiaotong might redevelop the original site into a residential and commercial development involving an estimated investment amount of RMB500,000,000.

The Letter of Intent also contemplated a possible investment by Yunnan Qiaotong of approximately RMB40,000,000 to upgrade the printing facilities of Zhaotong Xinqiao.

Yunnan Qiaotong had established a project working team to further consider the matters contemplated under Letter of Intent and to conduct feasibility studies. The Letter of Intent was non-legally binding. As at the date of this announcement, Yunnan Qiaotong is undergoing negotiations with Zhaotong People's Government regarding the initial phase of the plant relocation.

Proposed issue of bonds

On 30th January, 2013, the Company entered into the Placing Agreement with a company to act as the placing agent of the Company. The Company has agreed to issue and the placing agent has agreed, on a best efforts basis, to procure subscribers to subscribe for unlisted bonds of up to HK$300,000,000 in principal amount ("Bonds"). The Bonds would be issued by the Company as up to four series of 6% bonds in an aggregate amount of up to HK$300,000,000 due 2015. On 31st May, 2013, the Placing Agreement had lapsed and no bonds were placed. Details of which had been disclosed in the Company's announcement dated 30th January, 2013 and 31st May, 2013 respectively.

Human resources development

As at 30th June, 2013, the Group employed a total of approximately 1,000 employees. There was no substantial change in the number of employees during the period and most of them were hired by the Group's production plants in the PRC during the period. The Group has provided training to employees to update their expertise and enhance their development. Competitive remuneration packages and fringe benefits, including provident fund and medical insurance, were provided to attract, retain and motivate employees.

Future prospects

Yunnan Qiaotong has just celebrated its twentieth anniversary of operation. With over two decades of growth and profitable operations, it is expected that the Group's package printing business will continue to prosper and provide good returns to our shareholders.

Yunnan Qiaotong is undergoing negotiations with Zhaotong People's Government regarding the initial phase of the plant relocation. It is envisaged that Yunnan Qiaotong will benefit from the plant relocation through further expansion of its manufacturing facilities and better logistics after relocating to a new industrial park in Zhaotong.

The management is currently reviewing the future viability of the business of distribution of television related products and electronic products, given their disappointing performances and impact to the Group.

Having obtained permission to suspend repayment of the borrowings owing by the Group to the banks and other lenders, the Group is in the process of finding new replacement financing to solve its current liquidity problems. The Directors are confident that satisfactory solutions to this problem can be reached and the Group will be able to successfully pass through this difficult period and emerge stronger to face the coming challenges.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June, 2013, the Group has net current assets of HK$150,052,000 (31st December, 2012: HK$295,508,000) and bank balances and cash of HK$127,588,000 (31st December, 2012: HK$57,044,000). The net debt to equity ratio (Interest bearing liabilities less cash/Shareholders' equity plus non-controlling interests) was 49.9% as at 30th June, 2013, as compared to the ratio of 49.2% as at 31st December, 2012.

PLEDGE OF ASSETS

As at 30th June, 2013, certain of the Group's buildings and prepaid lease payments with an aggregate carrying value amounting to HK$69,124,000 (31st December, 2012: HK$69,484,000), certain inventories amounting to HK$20,695,000 (31st December, 2012: HK$20,368,000) were pledged to banks for banking facilities granted to the Group.

In addition, as at 30th June, 2013, the Group's obligation under finance lease is secured by the lessor's title to the leased assets, which have a carrying amount of HK$319,000 (31st December, 2012: HK$2,084,000).

On 23rd April, 2013, a debenture ("Debenture") was executed by certain members of the Group in favour of the security trustee for banks to which borrowings are currently owing by the Group. The Debenture constituted a fixed and floating charge over certain of the assets of the relevant members of the Group. It was provided as a continuing security for the payment and discharge in full of the outstanding secured obligations of the members of the Group towards the banks.

CAPITAL STRUCTURE

During the period, there was no change to the share capital of the Company.

EXCHANGE EXPOSURE

All sales and purchases for the package printing division are denominated in Renminbi (RMB) and most of the sales and purchases for the distribution division are denominated either in USA dollar or Hong Kong dollar. Through the currency match for sales and purchases, the exposure to exchange risks is minimised.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th June, 2013, the interests of the directors and their associates in the shares, underlying shares and debentures of the Company (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:

Long position

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Hui King Chun, Andrew	Held by trust *(Note 1)*	161,000,000	61.58%

Short position

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Hui King Chun, Andrew	Held by trust *(Note 1)*	131,000,000 *(Note 2)*	50.10%

Note 1: These shares are registered in the name of Accufit Investments Inc., a company indirectly wholly-owned by a discretionary trust, the beneficiaries of which are the family members of Mr. Hui King Chun, Andrew.

Note 2: These shares are pledged to a third party.

Other than as disclosed above, none of the directors nor their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 30th June, 2013, as required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2013, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, other than the interest disclosed above in respect of certain directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Long positions

Ordinary shares of HK$0.1 each of the Company

Long positions

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Basab Inc.	Beneficiary of trusts	161,000,000 *(Note 1)*	61.58%
Safeguard Trustee Limited	Beneficiary of trusts	161,000,000 *(Note 1)*	61.58%

Short positions

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Basab Inc.	Beneficiary of trusts	131,000,000 *(Note 2)*	50.10%
Safeguard Trustee Limited	Beneficiary of trusts	131,000,000 *(Note 2)*	50.10%

Note 1: These shares are registered in the name of Accufit Investments Inc., which is 100% owned by Basab Inc. as trustee of the Basab Unit Trust which is a unit trust owned by Safeguard Trustee Limited as trustee of a discretionary trust, the beneficiaries of which are the family members of Mr. Hui King Chun, Andrew.

Note 2: These shares are pledged to a third party.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued capital of the Company as at 30th June, 2013.

SHARE OPTIONS

The Company's current share option scheme (the "Scheme") was adopted pursuant to the extraordinary general meeting of the Company held on 13th June, 2012 for the primary purpose of providing incentives to selected participants for their contribution to the Group, and will expire on 12th June, 2022. Under the Scheme, the Board may grant options to all directors of the Company (including independent non-executive directors) and any employee of the Group, and any eligible participant from time to time determined by the Board as having contributed or may contribute to the development and growth of the Group to subscribe shares in the Company.

No share options were granted during the period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months period ended 30th June, 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Stock Exchange made various amendments to the Code on Corporate Governance Practices (the "Old Code") contained in Appendix 14 of the Listing Rules and renamed it the Corporate Governance Code (the "CG Code"). The CG Code took effect on 1st April, 2012. The Company has fully complied with all code provisions of the Old Code during the period from 1st January, 2012 to 31st March, 2012. It has also fully complied with the CG Code during the period from 1st April, 2012 to 30th June, 2012 and for the six months ended 30th June, 2013, other than code provision A.2.1 of the Old Code and the CG Code. Reasons for deviation are explained below:

Mr. Hui King Chun, Andrew is the founder and Chairman of the Group. The Company does not at present have any officer with the title "Chief Executive Officer" and Mr. Hui has assumed the role of both Chairman and Managing Director since the establishment of the Company, and is in charge of the overall management of the Company. The Board intends to maintain this structure in future as it believes that this structure can ensure efficient and effective formulation and implementation of business strategies without compromising the balance of power and authority between the Board and management of the Company.

The Board will review the current situation from time to time and shall make necessary arrangements when the Board considers appropriate.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors, Mr. Tam Yuk Sang, Sammy (chairman of the committee), Mr. Ng Chi Yeung, Simon and Mr. Ho Lok Cheong. The Audit Committee has reviewed the unaudited interim financial statements and discussed with management the accounting principles and practices adopted by the Group and the relevant financial reporting matters.

REMUNERATION COMMITTEE

The Remuneration Committee comprises the executive director, Mr. Hui King Chun, Andrew, and three independent non-executive directors, Mr. Ng Chi Yeung, Simon (chairman of the committee), Mr. Tam Yuk Sang, Sammy and Mr. Ho Lok Cheong. The Remuneration Committee has adopted terms of reference, which are in line with the CG Code.

NOMINATION COMMITTEE

The Nomination Committee comprises three independent non-executive directors, Mr. Ho Lok Cheong (chairman of the committee), Mr. Tam Yuk Sang, Sammy and Mr. Ng Chi Yeung, Simon. The Nomination Committee has adopted terms of reference, which are in line with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all directors of the Company have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30th June, 2013.

On behalf of the Board
Kith Holdings Limited
Hui King Chun, Andrew
Chairman

Hong Kong, 30th August, 2013

As at the date of this announcement, the directors of the Company are:
Executive Directors: Mr. Hui King Chun, Andrew, Mr. Hui Bin Long, Mr. Zhou Jin, Mr. Tao Fei Hu and Mr. Wang Feng Wu;
Independent Non-Executive Directors: Mr. Ng Chi Yeung, Simon, Mr. Tam Yuk Sang, Sammy and Mr. Ho Lok Cheong.

* *For identification purpose only*