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KAM HING INTERNATIONAL HOLDINGS LIMITED

錦興國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 02307)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

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 2017 (the “Period”), together with the comparative figures for the corresponding period in 2016, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017

		Six months ended 30 June 2017	Six months ended 30 June 2016
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
REVENUE	2, 3	1,937,170	1,924,839
Cost of sales		(1,660,856)	(1,621,587)
Gross profit		276,314	303,252
Other income and gains, net	3	19,562	17,705
Selling and distribution expenses		(52,802)	(60,422)
Administrative expenses		(148,849)	(159,619)
Other operating expenses, net		(4,618)	(9,040)
Finance costs		(26,692)	(25,948)

		Six months ended 30 June 2017 HK\$'000 (Unaudited)	Six months ended 30 June 2016 HK\$'000 (Unaudited)
	<i>Notes</i>		
PROFIT BEFORE TAX	4	62,915	65,928
Income tax expense	5	(11,693)	(12,910)
PROFIT FOR THE PERIOD		51,222	53,018
Attributable to:			
Ordinary equity holders of the Company		51,215	55,350
Non-controlling interests		7	(2,332)
		51,222	53,018
Interim dividend	6	Nil	Nil
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	7	HK5.9 cents	HK6.4 cents
Diluted	7	HK5.9 cents	HK6.4 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Six months ended 30 June 2017 HK\$'000 (Unaudited)	Six months ended 30 June 2016 HK\$'000 (Unaudited)
PROFIT FOR THE PERIOD	51,222	53,018
OTHER COMPREHENSIVE INCOME		
Others comprehensive income may be reclassified to profit or loss in subsequent periods:		
Realisation of exchange fluctuation reserve upon deregistration of a subsidiary	<u>(1,817)</u>	<u>—</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>49,405</u>	<u>53,018</u>
Attributable to:		
Ordinary equity holders of the Company	49,398	55,350
Non-controlling interests	<u>7</u>	<u>(2,332)</u>
	<u>49,405</u>	<u>53,018</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

		30 June 2017 <i>HK\$'000</i> (Unaudited)	31 December 2016 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		1,949,162	1,970,431
Prepaid land lease payments		105,996	107,507
Goodwill		12,811	12,811
Interest in an associate		—	—
Prepayments		7,225	7,554
Long term receivables		31,238	30,843
Deposits paid		25,364	24,139
Deferred tax assets		3,881	4,100
Total non-current assets		2,135,677	2,157,385
CURRENT ASSETS			
Inventories		1,070,494	1,111,909
Accounts and bills receivable	8	648,235	572,633
Prepayments, deposits and other receivables		66,738	68,307
Equity investment at fair value through profit or loss		308	289
Tax recoverable		36	1,110
Pledged deposits		11,203	—
Cash and cash equivalents		402,132	475,532
Total current assets		2,199,146	2,229,780

		30 June	31 December
		2017	2016
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
CURRENT LIABILITIES			
Accounts and bills payable	9	530,821	637,623
Accrued liabilities and other payables		155,682	156,766
Due to an associate		2,706	2,706
Tax payable		19,523	16,898
Interest-bearing bank and other borrowings		1,129,869	844,304
Total current liabilities		1,838,601	1,658,297
NET CURRENT ASSETS		360,545	571,483
TOTAL ASSETS LESS CURRENT LIABILITIES		2,496,222	2,728,868
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		619,913	902,061
Deferred tax liabilities		7,834	7,737
Total non-current liabilities		627,747	909,798
Net assets		1,868,475	1,819,070
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital		86,992	86,992
Reserves		1,782,460	1,733,062
		1,869,452	1,820,054
Non-controlling interests		(977)	(984)
Total equity		1,868,475	1,819,070

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 2016.

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 2017. 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 provision of sewage treatment services, and 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 HK\$'000	Others HK\$'000	Total 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 30 June 2017 (Unaudited)			
Assets and liabilities			
Segment assets	4,239,005	91,937	4,330,942
Deferred tax assets	3,881	–	3,881
Total assets	4,242,886	91,937	4,334,823
Segment liabilities	2,442,931	15,583	2,458,514
Deferred tax liabilities	1,322	6,512	7,834
Total liabilities	2,444,253	22,095	2,466,348
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

	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	91,140	525	91,665
Bank interest income	210	1	211
Finance costs	(25,948)	–	(25,948)
Profit before tax	65,402	526	65,928
Income tax expense	(12,910)	–	(12,910)
Profit for the period	52,492	526	53,018
As at 31 December 2016 (Audited)			
Assets and liabilities			
Segment assets	4,300,579	82,486	4,383,065
Deferred tax assets	4,100	–	4,100
Total assets	4,304,679	82,486	4,387,165
Segment liabilities	2,553,638	6,720	2,560,358
Deferred tax liabilities	854	6,883	7,737
Total liabilities	2,554,492	13,603	2,568,095
Other segment information:			
Six months ended 30 June 2016 (Unaudited)			
Depreciation and amortisation	162,984	6	162,990
Capital expenditure	241,929	–	241,929

Geographical information

(a) Revenue from external customers

	Six months ended 30 June 2017 HK\$'000 (Unaudited)	Six months ended 30 June 2016 HK\$'000 (Unaudited)
Mainland China	478,982	330,171
Korea	462,276	456,339
Hong Kong	230,221	313,712
Taiwan	203,613	228,327
Singapore	172,322	241,817
Others	389,756	354,473
	1,937,170	1,924,839

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

(b) Non-current assets

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Mainland China	1,995,363	2,029,471
Hong Kong	90,255	92,908
Singapore	67	52
Others	14,873	11
	2,100,558	2,122,442

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 2017 HK\$'000 (Unaudited)	Six months ended 30 June 2016 HK\$'000 (Unaudited)
Revenue		
Production and sale of knitted fabric and dyed yarn and provision of related subcontracting services	1,937,170	1,924,839
Other income		
Fee income from freight handling services	3,735	3,469
Bank interest income	140	211
Gross rental income	147	147
Others	15,710	13,752
	19,732	17,579
Gains, net		
Fair value gains/(losses), net:		
Equity investment at fair value through profit or loss		
– held for trading	(170)	5
Derivative financial instruments		
– transactions not qualified as hedges but matured during the period	–	121
	(170)	126
Other income and gains, net	19,562	17,705

4. PROFIT BEFORE TAX

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

	Six months ended 30 June 2017 HK\$'000 (Unaudited)	Six months ended 30 June 2016 HK\$'000 (Unaudited)
Cost of inventories sold and services provided	1,660,856	1,621,587
Research and development costs	5,555	6,458
Depreciation of items of property, plant and equipment	159,377	161,920
Amortisation of prepaid land lease payments	1,459	1,070
Employee benefits expense (including directors' remuneration):		
Wages and salaries	221,760	219,956
Pension scheme contributions	26,434	25,714
	248,194	245,670
Minimum lease payments under operating leases in respect of land and buildings	2,945	3,376
(Gain)/loss on disposal of items of property, plant and equipment	(482)	630
Impairment of accounts receivable, net	1,709	5,259
Fair value losses/(gains), net:		
Equity investment at fair value through profit or loss – held for trading	170	(5)
Derivative financial instruments – transactions not qualified as hedges but matured during the period	–	(121)
Gain on deregistration of a subsidiary	(1,817)	–
Foreign exchange differences, net	(708)	1,231

5. INCOME TAX

	Six months ended 30 June 2017 HK\$'000 (Unaudited)	Six months ended 30 June 2016 HK\$'000 (Unaudited)
Current tax – Hong Kong		
Charge for the period	3,996	5,680
Current tax – Elsewhere		
Charge for the period	7,381	7,202
Deferred tax expenses	316	28
Total tax charge for the period	11,693	12,910

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 2016: 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 2016: 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\$51,215,000 (six months ended 30 June 2016: HK\$55,350,000), and the number of 869,919,000 (six months ended 30 June 2016: 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 2017 and 30 June 2016.

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 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Within 1 month	265,654	234,548
1 to 2 months	186,648	213,062
2 to 3 months	123,022	70,827
Over 3 months	72,911	54,196
	648,235	572,633

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 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Within 3 months	452,027	581,426
3 to 6 months	76,914	51,799
Over 6 months	1,880	4,398
	530,821	637,623

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 2017 (the “Period”). The interim financial information is not audited but has been reviewed by the Audit Committee of the Company.

Market Review

Reviewing the global market in the first half of 2017, the turbulence triggered by the United States (“U.S.”) president Donald Trump and Brexit began to subside. Investors worldwide turned to hold optimistic attitude toward restoring consumer confidence in major economies. The fact was, however, textile manufactures were still under the cloud of weakened demand due to the slump of physical outlets of traditional retailers.

The mix of the Group’s ultimate buyers by country did not change much compared with the same period in 2016. The U.S. and China remained as the two biggest end markets, taking up around 64% and 23% of the Group’s total revenue respectively for the Period. To great extent the Group’s performance was closely associated with the retail market in the U.S., where retail brands suffered from the demise of retail storefront ascribed to the change of consuming habits: (1) shifting from shopping in physical stores to shopping online and (2) fast fashion trend. These alterations have changed the procurement strategy of buyers to place small batches orders with short delivery schedule to reduce inventory, and consequently gave rise to the plight of textile manufactures who required economies of scale in production.

It was a tough time for the Group to maintain profitability considering such backdrop. Nevertheless, opportunities always coexist with challenges. The management persisted in diversifying its customer mix and expanding its products range, sustained its efforts on research and development of new functional fabric, streamlined production and intensified cost-efficiency measures during the Period. In this fashion, the Group maintained its leadership in the textile export industry and moved steps forward to becoming a comprehensive textile-related solutions provider.

Business Overview

During the Period, the Group's overall revenue slightly increased by 0.6% to HK\$1,937.2 million (six months ended 30 June 2016: HK\$1,924.8 million). Gross profit decreased by 8.9% to HK\$276.3 million (six months ended 30 June 2016: HK\$303.3 million) and gross profit margin decreased by 1.5 percentage points to 14.3% (six months ended 30 June 2016: 15.8%). Profit attributable to ordinary equity holders of the Company for the Period decreased by 7.6% to HK\$51.2 million (six months ended 30 June 2016: HK\$55.4 million), mainly due to increase in cost of sales. The basic earnings per share for the Period was HK5.9 cents (six months ended 30 June 2016: HK6.4 cents).

During the Period, the rise of online shopping habit and fast fashion, as well as the downsized offline retail network led to lower stock level required for retailers. Thus, the regular orders from the Group's brand customers continued to be small in size and with tight delivery schedule to match consumers' less predictable purchases. The migration from comfortable and soft cotton casual wear to functional synthetic athletic-leisure wear also resulted in the diminished demand for knitted casual wear. Despite the harsh market condition, the Group managed to maintain sufficient order flow by attaining larger market share during the supply side consolidation, preserving the Group's viability. However, profit margins were inevitably suppressed due to lower operating efficiency when manufactured small batch orders.

In response to the growing emphasis on healthy lifestyles and fitness around the globe, coupled with the market demand for greater user comfort and performance, the Group had been investing in the research and development of functional fabrics and the new production facilities for functional fabric dyeing and printing solutions in the past years. This effort equipped the Group to offer comprehensive textile-related solutions to customers, differentiating itself from the peers. The Group also took measures to curb operating costs by optimizing production flow and efficiency; at the same time, upheld its world class quality by stringent quality control and internal management.

Prospects

Looking ahead to the second half of 2017, the Group's major markets are anticipated to recover continuously from political volatility. Consumer sentiment and personal spending are likely to stabilize at a relatively high level, and the retail industry will subsequently be pointing to a bit of a rebound. A number of retail brands have formulated store expansion plan, particularly in the fast fashion market, to capture the market recovery. Leveraging on the established relationship with its brand customers, the Group is expected to benefit from customers' new market expansion and build a larger order book for its functional fabric products in the near future.

Facing complex economic environment and varying consumer needs, the Group will take full advantages of its pioneering position in the industry to enlarge its scale, enrich its product portfolio, deepen the collaboration with existing customers, and explore upstream and downstream consolidation in the market. The Group will continue to pursue its vision to becoming an all-round fabric solutions provider.

Financial Review

Revenue

Overall sales turnover achieved approximately HK\$1,937.2 million, representing an increase of approximately 0.6% as compared with approximately HK\$1,924.8 million for the six months ended 30 June 2016. The increase was attributable to the increase in sales orders.

Gross Profit and Gross Profit Margin

Gross profit was approximately HK\$276.3 million, representing a decrease of approximately 8.9% as compared with approximately HK\$303.3 million for six months ended 30 June 2016. Gross profit margin was approximately 14.3% (six months ended 30 June 2016: approximately 15.8%), which was mainly due to increase in cost of sales outweighed increase in selling price of products.

Expenses

Selling and distribution expenses decreased to approximately HK\$52.8 million (six months ended 30 June 2016: approximately HK\$60.4 million), which is due to a better control on budgeting and logistic management. Administrative expenses, which included salaries, depreciation and other related expenses, reduced to approximately HK\$148.8 million (six months ended 30 June 2016: approximately HK\$159.6 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\$51.2 million, representing a decrease of approximately 7.6% as compared with approximately HK\$55.4 million for the six months ended 30 June 2016. The decrease in net profit was mainly due to increase in cost of sale.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2017, the Group's net current assets were approximately HK\$360.5 million (31 December 2016: approximately HK\$571.5 million). The decrease in net current assets was mainly due to reclassification of the first repayment of syndicated loan due in August 2017 to current liabilities. 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 2017, the Group had cash and cash equivalents of approximately HK\$402.1 million (31 December 2016: approximately HK\$475.5 million). Current ratio was approximately 1.2 times (31 December 2016: approximately 1.3 times).

As at 30 June 2017, total bank and other borrowings of the Group were approximately HK\$1,749.8 million (31 December 2016: approximately HK\$1,746.4 million). The Group's net debt gearing ratio (i.e. net debts divided by the sum of equity and net debts) was at approximately 60.3% (31 December 2016: approximately 53.2%). 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.

A new facility agreement was entered into in August 2017 pursuant to which a 3.5-year term loan facility of HK\$1,000.0 million is made available to the Group to repay the existing term loan facility. Due to the refinancing exercise, the interest-bearing bank and other borrowings which are classified as current liabilities will be replaced by such long term loans and this helps to notably improve the liquidity and current ratio of the Group.

Financing

As at 30 June 2017, the Group's long-term loans were approximately HK\$619.9 million (31 December 2016: approximately HK\$902.1 million), comprising syndicated loan and term loans from banks of approximately HK\$618.9 million (31 December 2016: approximately HK\$897.7 million) and long-term finance lease payable of approximately HK\$1.0 million (31 December 2016: approximately HK\$4.4 million). The decrease in long-term loan was mainly due to the reclassification of the first repayment of syndicated loan due in August 2017 to current liabilities.

Foreign Exchange Risk and Interest Rate Risk

Approximately 65.8% (six months ended 30 June 2016: approximately 69.0%) 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 2017, certain items of property, plant and equipment of the Group with an aggregate net book value of approximately HK\$23.8 million (31 December 2016: approximately HK\$29.5 million) were under finance leases.

Capital Expenditure

For the Period, the Group invested approximately HK\$138.3 million (six months ended 30 June 2016: approximately HK\$241.9 million) in capital expenditure of which approximately 89.8% (six months ended 30 June 2016: approximately 70.9%) was used for the purchase of plant and machinery, approximately 3.0% (six months ended 30 June 2016: 23.3%) was used for payment on prepaid land lease payment, and the remaining was used for the purchase of other equipment.

As at 30 June 2017, the Group had capital commitments of approximately HK\$173.4 million (31 December 2016: approximately HK\$176.1 million) in property, plant and equipment. All are funded or will be funded by internal resources.

Contingent Liabilities

As at 30 June 2017, the Group did not have any significant contingent liabilities (31 December 2016: Nil).

Material Acquisition and Disposal

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

Staff Policy

The Group had 6,116 (31 December 2016: 6,130) employees in the PRC and 127 (31 December 2016: 129) employees in Hong Kong, Macau and Singapore as at 30 June 2017. 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 2017 (six months ended 30 June 2016: Nil).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

UPDATE ON LITIGATION WITH A PREVIOUS SUBCONTRACTOR AND ITS AFFILIATED COMPANY

As disclosed in note 40 to the financial statements of the Group for the year ended 31 December 2016 in the annual report for 2016, 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 October 2016, the PRC Court ruled in favour of the Group and ordered the Subcontractor Plaintiff to adhere to the terms stated in the Sale and Purchase Agreement and to re-transfer the title of the Properties to the Group.

On 11 November 2016, the Subcontractor Plaintiff filed an appeal to the Intermediate People’s Court, Guangzhou. On 2 March 2017, the Intermediate People’s Court, Guangzhou, turned down the appeal filed by the Subcontractor Plaintiff and concluded the judgement of the PRC Court on 31 October 2016 as conclusive for the Land Case.

As at the approval date of these interim financial statements, the procedures for transferring the title of the Properties to the Group is still in progress.

Taking into account the latest ruling granted by the Intermediate People’s Court, Guangzhou, on 11 November 2016, 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 Group could execute its right to 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, the Group continued to recognise the Properties at their carrying amounts of RMB21.4 million (equivalent to HK\$24.2 million) (31 December 2016: RMB22.1 million (equivalent to HK\$25.0 million)) in these financial statements as at 30 June 2017 and 31 December 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. 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, Mr. Chong Chau Lam and Dr. Wong Wai Kong as executive Directors; 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
Tai Chin Chun
Chairman

Hong Kong, 28 August 2017