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 2010

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 2010 (the "Period"), together with the comparative figures for the corresponding period in 2009, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2010

	Notes	**Six months ended 30 June 2010** *HK$'000* **(Unaudited)**	Six months ended 30 June 2009 *HK$'000* (Unaudited)
REVENUE	*2, 3*	**1,505,557**	1,235,526
Cost of sales		**(1,257,539)**	(1,017,410)
Gross profit		**248,018**	218,116
Other income and gains, net	*3*	**14,283**	9,192
Selling and distribution costs		**(56,599)**	(51,848)
Administrative expenses		**(146,091)**	(119,103)
Other operating income, net		**1,117**	3,480
Finance income		**437**	90
Finance costs		**(9,259)**	(9,450)
Share of profit less losses of a jointly-controlled entity		**1,386**	(184)
PROFIT BEFORE TAX	*4*	**53,292**	50,293
Income tax expense	*5*	**(4,702)**	(5,160)
PROFIT FOR THE PERIOD		**48,590**	45,133

	Notes	**Six months ended 30 June 2010** *HK$'000* **(Unaudited)**	Six months ended 30 June 2009 *HK$'000* (Unaudited)
Attributable to:			
Ordinary equity holders of the Company		**49,453**	46,260
Non-controlling interests		**(863)**	(1,127)
		48,590	45,133
Interim dividend	*6*	**Nil**	Nil

EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

	Notes		
Basic	*7*	**HK6.2 cents**	HK7.2 cents
Diluted	*7*	**HK5.9 cents**	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2010

	Six months ended 30 June 2010 *HK$'000* **(Unaudited)**	Six months ended 30 June 2009 *HK$'000* (Unaudited)
PROFIT FOR THE PERIOD	**48,590**	45,133
OTHER COMPREHENSIVE INCOME		
Exchange differences on translating foreign operations	**—**	—
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**48,590**	45,133
Attributable to:		
Ordinary equity holders of the Company	**49,453**	46,260
Non-controlling interests	**(863)**	(1,127)
	48,590	45,133

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

	Notes	**30 June 2010 HK$'000 (Unaudited)**	31 December 2009 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**1,493,225**	1,444,534
Prepaid land lease payments		**62,345**	63,096
Intangible assets		**2,384**	2,580
Interest in a jointly-controlled entity		**36,971**	27,416
Interests in associates		**300**	300
Deposits paid		**21,399**	21,399
Total non-current assets		**1,616,624**	1,559,325
CURRENT ASSETS			
Inventories		**852,487**	520,992
Accounts and bills receivable	*8*	**458,564**	384,711
Prepayments, deposits and other receivables		**32,289**	31,090
Equity investments at fair value through profit or loss		**383**	573
Derivative financial instruments		**2,021**	2,314
Due from a jointly-controlled entity		**38,000**	6,885
Due from an associate		**96,697**	3,287
Tax recoverable		**—**	45
Pledged deposits		**40,467**	40,382
Cash and cash equivalents		**351,555**	390,821
Total current assets		**1,872,463**	1,381,100
CURRENT LIABILITIES			
Accounts and bills payable	9	**777,046**	499,568
Accrued liabilities and other payables		**114,368**	83,992
Derivative financial instruments		**12,437**	15,436
Loan from a minority shareholder		**—**	8,000
Tax payable		**27,199**	26,272
Bank advances for discounted bills		**12,633**	—
Interest-bearing bank and other borrowings		**741,317**	662,159
Total current liabilities		**1,685,000**	1,295,427

	Notes	**30 June 2010** *HK$'000* **(Unaudited)**	31 December 2009 *HK$'000* (Audited)
NET CURRENT ASSETS		**187,463**	85,673
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,804,087**	1,644,998
NON-CURRENT LIABILITIES			
Loan from a minority shareholder		**12,000**	—
Interest-bearing bank and other borrowings		**203,819**	156,893
Deferred tax liabilities		**508**	508
Total non-current liabilities		**216,327**	157,401
Net assets		**1,587,760**	1,487,597
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital		**80,352**	77,349
Reserves		**1,467,926**	1,369,903
		1,548,278	1,447,252
Non-controlling interests		**39,482**	40,345
Total equity		**1,587,760**	1,487,597

Notes:

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 ("HKAS") 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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited. 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 2009 except the impact for the adoption of the following amendment mandatory for periods beginning on or after 1 January 2010.

In the current period, the Group has applied, for the first time, the following 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 2010,

Amendments to HKFRS 5 included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations — Plan to sell the controlling interest in a subsidiary*
HKFRSs Amendments	*Improvements to HKFRSs 2009*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement — Eligible Hedged Items*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Additional exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment — Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by further transaction for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs are applicable.

The adoption of the new and revised HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied the following 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:

HKFRSs Amendments	*Improvements to HKFRSs 2010*[1]
HKAS 24 (Revised)	*Related Party Disclosures*[4]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation — Classification of Rights Issues*[2]
HKFRS 1 Amendment	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*[3]
HKFRS 9	*Financial Instruments*[5]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*[4]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[3]

1 Amendments that are effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
2 Effective for annual periods beginning on or after 1 February 2010
3 Effective for annual periods beginning on or after 1 July 2010
4 Effective for annual periods beginning on or after 1 January 2011
5 Effective for annual periods beginning on or after 1 January 2013

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

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

(b) the garment products segment engages in the production and sale of garment products and provision of related subcontracting services; and

(c) the "others" segment includes provision of air and ocean freight 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.

Inter-segment 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	Garment	Others	Eliminations	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Six months ended 30 June 2010 (Unaudited)					
Segment revenue:					
Revenue from external customers	1,394,959	110,598	—	—	1,505,557
Inter-segment revenue	20,411	—	—	(20,411)	—
Total revenue	1,415,370	110,598	—	(20,411)	1,505,557
Segment profit/(loss)	53,878	8,264	(40)	(1,374)	60,728
Finance income	427	1	9	—	437
Finance costs	(8,988)	(135)	(136)	—	(9,259)
Share of profit less losses of a jointly-controlled entity	1,386	—	—	—	1,386
Profit/(loss) before tax	46,703	8,130	(167)	(1,374)	53,292
Income tax expense	(4,702)	—	—	—	(4,702)
Profit/(loss) for the period	42,001	8,130	(167)	(1,374)	48,590
As at 30 June 2010 (Unaudited)					
Assets and liabilities					
Segment assets	3,234,546	121,449	98,384	(2,563)	3,451,816
Interest in a jointly-controlled entity	36,971	—	—	—	36,971
Interests in associates	—	—	300	—	300
Total assets	3,271,517	121,449	98,684	(2,563)	3,489,087
Segment liabilities	1,839,732	45,378	15,709	—	1,900,819
Deferred tax liabilities	508	—	—	—	508
Total liabilities	1,840,240	45,378	15,709	—	1,901,327
Other segment information:					
Six months ended 30 June 2010 (Unaudited)					
Depreciation and amortization	89,482	1,774	247	—	91,503
Capital expenditure	134,407	4,946	—	—	139,353

	Fabric *HK$'000*	Garment *HK$'000*	Others *HK$'000*	Eliminations *HK$'000*	Total *HK$'000*
Six months ended 30 June 2009 (Unaudited)					
Segment revenue:					
Revenue from external customers	1,132,116	103,410	—	—	1,235,526
Inter-segment revenue	61,715	39	—	(61,754)	—
Total revenue	1,193,831	103,449	—	(61,754)	1,235,526
Segment profit/(loss)	52,078	8,934	(51)	(1,124)	59,837
Finance income	89	1	—	—	90
Finance costs	(9,336)	(113)	(1)	—	(9,450)
Share of profit less losses of a jointly-controlled entity	(184)	—	—	—	(184)
Profit/(loss) before tax	42,647	8,822	(52)	(1,124)	50,293
Income tax expense	(5,124)	—	(36)	—	(5,160)
Profit/(loss) for the period	37,523	8,822	(88)	(1,124)	45,133
As at 31 December 2009 (Audited)					
Assets and liabilities					
Segment assets	2,864,067	131,043	11,137	(93,538)	2,912,709
Interest in a jointly-controlled entity	27,416	—	—	—	27,416
Interests in associates	—	—	300	—	300
Total assets	2,891,483	131,043	11,437	(93,538)	2,940,425
Segment liabilities	1,408,644	28,195	15,481	—	1,452,320
Deferred tax liabilities	508	—	—	—	508
Total liabilities	1,409,152	28,195	15,481	—	1,452,828
Other segment information:					
Six months ended 30 June 2009 (Unaudited)					
Depreciation and amortization	65,463	1,711	248	—	67,422
Capital expenditure	85,776	364	—	—	86,140

Geographical information

(a) Revenue from external customers

	Six months ended 30 June 2010 *HK$'000* (Unaudited)	Six months ended 30 June 2009 *HK$'000* (Unaudited)
Singapore	**541,600**	497,491
Hong Kong	**275,438**	188,195
Mainland China	**227,660**	83,863
Korea	**173,224**	117,214
Taiwan	**147,562**	139,941
United States of America	**67,122**	94,763
Others	**72,951**	114,059
	1,505,557	1,235,526

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

(b) Non-current assets

	30 June 2010 *HK$'000* (Unaudited)	31 December 2009 *HK$'000* (Audited)
Mainland China	**1,536,964**	1,498,765
Hong Kong	**51,840**	35,801
Madagascar	**26,973**	23,854
Singapore	**97**	116
Others	**750**	789
	1,616,624	1,559,325

The non-current asset information above is based on the location of assets.

Information about a major customer

Revenue of approximately HK$183.6 million (2009: HK$173.3 million) was derived from sales by the fabric products segment and subcontracting services rendered by the garment products segment to a single customer, including sales to a group of entities which are known to be under common control with that customer.

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 2010 *HK$'000* **(Unaudited)**	Six months ended 30 June 2009 *HK$'000* (Unaudited)
Revenue		
Production and sale of knitted fabric, dyed yarn and provision of related subcontracting services	**1,394,959**	1,132,116
Production and sale of garment products and provision of related subcontracting services	**110,598**	103,410
	1,505,557	1,235,526
Other income		
Fee income from freight handling services	**2,694**	1,613
Gross rental income	**225**	230
Others	**13,642**	7,962
	16,561	9,805
Gains		
Fair value gains/(losses), net		
Equity Investment at fair value through profit or loss — held for trading	**(190)**	(106)
Derivative financial instruments — transactions not qualified as hedges and matured during the period	**8,327**	11,821
Derivative financial instruments — transactions not qualified as hedges and not yet matured	**(10,415)**	(12,328)
	(2,278)	(613)
Other income and gains, net	**14,283**	9,192

4. PROFIT BEFORE TAX

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

	Six months ended 30 June 2010 *HK$'000* **(Unaudited)**	Six months ended 30 June 2009 *HK$'000* (Unaudited)
Cost of inventories sold and services provided	**1,257,539**	1,017,410
Research and development costs	**2,518**	2,503
Depreciation of items of property, plant and equipment	**90,556**	66,487
Amortisation of prepaid land lease payments	**751**	739
Amortisation of intangible assets	**196**	196
Employee benefits expense (including directors' remuneration):		
Wages and salaries	**145,696**	122,524
Equity-settled share option expense	**6,606**	—
Pension scheme contributions	**3,971**	4,471
	156,273	126,995
Minimum lease payments under operating leases in respect of land and buildings	**2,780**	2,718
Gains on disposal of items of property, plant and equipment	**(527)**	(79)
Write-back of impairment allowance for accounts receivable	**—**	(2,552)
Fair value (gains)/losses, net		
Equity Investment at fair value through profit or loss — held for trading	**190**	106
Derivative financial instruments — transactions not qualified as hedges and matured during the period	**(8,327)**	(11,821)
Derivative financial instruments — transactions not qualified as hedges and not yet matured	**10,415**	12,328
Foreign exchange differences, net	**(1,751)**	(1,596)

5. INCOME TAX EXPENSE

	Six months ended 30 June 2010 *HK$'000* **(Unaudited)**	Six months ended 30 June 2009 *HK$'000* (Unaudited)
Current tax — Hong Kong		
Charge for the period	**1,400**	2,378
Current tax — Elsewhere		
Charge for the period	**3,302**	2,981
Overprovision in respect of prior periods	**—**	(6)
Deferred tax credit	**—**	(193)
Total tax charge for the period	**4,702**	5,160

Hong Kong profits tax has been provided on the estimated assessable profits arising in Hong Kong at the rate of 16.5% (2009: 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 2009: Nil).

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit for the Period attributable to ordinary equity holders of the Company of HK$49,453,000 (six months ended 30 June 2009: HK$46,260,000) and the weighted average of 799,539,110 (six months ended 30 June 2009: 644,583,000) ordinary shares deemed to have been in issue during the Period.

During the Period, the calculation of diluted earnings per share is based on the profit for the Period attributable to ordinary equity holders of the Company of HK$49,453,000. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the Period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	Six months ended 30 June 2010 ***HK$'000***
Earnings	
Profit attributable to ordinary equity holders of the Company	49,453

	Number of Shares Six months ended 30 June 2010
Shares	
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	799,539,110
Effect of dilution — weighted average number of ordinary shares:	
Share options	45,185,396
	844,724,506

8. ACCOUNTS AND BILLS RECEIVABLE

The Group's trading with its customers are generally on credit with repayment term of up to 2 months and are non-interest bearing (except for certain well-established customers with strong financial strength, good repayment history and credit worthiness, where the credit term is extended to 4 months). The Group has exercised 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 relates to a large number of diversified customers, there is no significant concentration of credit risk.

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

	30 June 2010 ***HK$'000*** **(Unaudited)**	31 December 2009 *HK$'000* (Audited)
Within 1 month	**238,710**	159,956
1 to 2 months	**136,773**	105,647
2 to 3 months	**60,431**	85,085
Over 3 months	**22,650**	34,023
	458,564	384,711

The carrying amounts of the Group's accounts and bills receivable approximate to their fair values.

Included in the above accounts and bills receivable as at 30 June 2010, amounts totaling HK$12,633,000 (31 December 2009: Nil) were discounted to banks in exchange for cash and included as "Bank advances for discounted bills" on the face of the condensed consolidated statement of financial position.

9. ACCOUNTS AND BILLS PAYABLE

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

	30 June 2010	31 December 2009
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 3 months	**593,235**	419,949
3 to 6 months	**177,173**	79,220
6 to 12 months	**5,418**	130
Over 1 year	**1,220**	269
	777,046	499,568

The accounts and bills payable are non-interest-bearing and are normally settled within 2 to 4 months. The carrying amounts of the Group's accounts and bills payable approximate to their fair values.

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS REVIEW

For the Period, the Group's overall sales revenue increased by approximately 21.9% to HK$1,505.6 million (six months ended 30 June 2009: HK$1,235.5 million). Gross profit increased by approximately 13.7% to HK$248.0 million (six months ended 30 June 2009: HK$218.1 million) and net profit attributable to ordinary equity holders of the Company slightly increased by approximately 6.9% to HK$49.5 million (six months ended 30 June 2009: HK$46.3 million). The operational net profit attributable to ordinary equity holders of the Company would enjoy an actual growth rate of 40% when compared with the same period last year, if two non-recurring expenditure items, namely, the legal and professional fees for spin-off exercise and the share option benefit for employee, were to be taken out.

The global economy showed positive signs of recovery during the first half of financial year 2010. Despite the tendency of retailers keeping inventory levels low, the textile and garment industry is expected to slowly stabilize along with increased consumer confidence from markets such as the US and Europe. Against the backdrop of an encouraging market upturn coupled with strong fundamentals and enhanced textile manufacturing facilities in Enping, the Group recorded a continuous revenue growth of 21.9% to HK$1,505.6 million, further cementing our presence in the textile and garment industry. However, the Group's overall gross margin for the Period has decreased to 16.5% from 17.7% as compared to the same period last year. The decrease is mainly due to the elevating costs of raw materials, labour and fuel.

Since 2009, the overall textile industry has been overwhelmed by cotton production shortages and export quotas applied to countries such as India and Pakistan, thus material costs were inevitably affected. However, due to our careful cash flow management, the Group was able to regulate operating contingencies by purchasing cotton yarn beforehand at pre-determined prices thereby "locking in" cotton costs. Furthermore, the Group minimized pressure on our margins by shifting part of the increased material costs to customers. The proactive strategies were beneficial as the motives helped neutralize the impact of rising raw material costs and maintain stable profit margin.

In addition, rising labour and fuel costs have also asserted significant pressure on the People's Republic of China ("PRC") operation. During the Period, the Group focused on preserving business momentum and mitigating operational risks by implementing strict internal cost controls to stabilize margin. Further market consolidation is anticipated as rising costs will dissolve companies which are unable to meet the immediate financial burden, especially small and medium enterprises, thereby rendering new business propositions for the Group to pursue in the long run and provide ample room for future market share growth.

The Group is committed to penetrating its product portfolio into new consumer segments, therefore the management is currently considering possible ventures into the production of non-seasonal and high-end products to improve our Group's product mix. The new initiative is expected to deliver attractive and stable returns in the long-run as the accommodation of new merchandise orders will enhance the year-round utilization of production facilities and labour. We will also continue appropriate geographical expansion strategies to strengthen our product awareness and exposure in Asia. The opportunity will assist us in balancing our global clientele base and reduce our reliance on the US textile and apparel market. Currently, the Group has enjoyed a substantial growth in sales from PRC, Korea and Hong Kong for approximately 171%, 48% and 46% respectively when compared with the same period last year. The Group would keep the momentum in potential markets to deliver the corporate strategy in geographical expansion.

To further demonstrate our business dedication and to cope with future growth opportunities, the Group will extend its manufacturing footprints in the PRC with the establishment of a new garment factory in Enping. The facility is expected to commence operation in the fourth quarter and will target popular domestic brands and retailers. In addition, the Group aims to facilitate aggressive sales and marketing strategies to utilize the new facility's resources and translate our premium product quality and efficiency to customers in the PRC.

MAJOR DEVELOPMENTS

In January 2010, the management announced the possible spin-off and separate listing of the Group's garment division. The proposition is currently under review and our strategy to facilitate an important platform for the Group to effectively allocate resources for development in the garment industry remains unchanged. Further announcement will be made once for any progress as and when it is necessary.

Furthermore, in January 2010, the Group completed a share placement of 30 million new shares at HK$2.30 each, raising net proceeds amounting to approximately HK$65.2 million. The successful placement reflected the market's confidence in our business development and provided sufficient funding for future development.

Whilst remaining dedicated to our core business operations, the Group continues to uphold its dual growth strategy with active diversification developments into the mining industry. In May 2010, Hong Kong Wisco Guangxin Kam Wah Resources Limited, a joint venture company formed among the Group, Wuhan Iron and Steel (Group) Company and Guangdong Foreign Trade Group Company Limited, has signed the formal contract with the Government of Madagascar for the right of open iron resources in Soalala, Madagascar, Africa. The development is expected to generate a new and broader source of income for our shareholders and effectively establish the Group's versatility in business competence.

PROSPECTS

Looking ahead, the business outlook for the textile and garment industry is slowly but surely recuperating, therefore the Group is confident that our efficient and flexible one-stop supply chain business model will maintain presence in the global textile market with our future expansions in the PRC. In addition, the management will continue to actively monitor the market conditions, assess our development strategies to leverage our existing technical know-how and enforce stringent cost controls to achieve sustainable profitability and further milestones for our shareholders.

In parallel with our core textile business, the Group will continue to fortify our expansion strategy into the mining industry. Working collectively with our partners we will actively fulfill our networking duties and ensure the successful completion of the Soalala project.

FINANCIAL REVIEW

The Group recorded the revenue of approximately HK$1,505.6 million for the six months ended 30 June 2010 comprising sales of fabrics, dyed yarn and garment products, representing an overall growth of approximately 21.9% over the same period last year. The growth in revenue was attributable to the combination of sales recovery, increase of production capacity and pricing of orders.

Gross profit for the six months ended 30 June 2010 was approximately HK$248.0 million, representing a increase of approximately 13.7% compared with the same period last year. Gross profit margin was approximately 16.5% for the six months ended 30 June 2010, representing a decrease of approximately 1.2 percentage points over the gross profit margin of approximately 17.7% for the same period last year. The decrease in gross profit margin was mainly due to the elevating costs of raw materials, labour and fuel.

Net profit attributable to ordinary equity holders of the Company for the six months ended 30 June 2010 was approximately HK$49.5 million, representing a slight increase of approximately 6.9% as compared with the corresponding period last year. Net profit margin for the six months ended 30 June 2010 was approximately 3.2%, representing a decrease by approximately 0.5 percentage points from the corresponding period of approximately 3.7% last year.

Administrative and selling expenses increased by approximately 18.6% over the corresponding period last year, which was mainly caused by the increase in legal and professional fees incurred for the spin-off exercise, employee share option benefits and bank charges. Finance expenses reduced by approximately 2.1% to approximately HK$9.3 million from approximately HK$9.5 million in the same period last year as a result of lower bank interest rates and smaller size of loan after repayment. Other income increased by approximately 55.4% to approximately HK$14.3 million from HK$9.2 million in the same period last year as a result of revenue gain mainly from sales of steam generated by the power plant to nearby factories.

Liquidity, financial resources and capital structure

As at 30 June 2010, the Group had net current assets of approximately HK$187.5 million (31 December 2009: net current assets of approximately HK$85.7 million). The increase in net current assets was mainly due to the combination of additional funding raised from the share placement in January 2010 with total sum of HK$65.2 million and seasonal factor of accounts receivable . The Group constantly reviews its financial position and maintains a healthy financial position by financing its operations from internally generated resources and long-term bank loans. Current ratio of the Group was approximately 1.1 times (31 December 2009: approximately 1.1 times).

The total bank and other borrowings of the Group as at 30 June 2010 were approximately HK$969.8 million (31 December 2009: approximately HK$827.1 million). Cash and cash equivalents of the Group were HK$351.6 million (31 December 2009: approximately HK$390.8 million). The Group's gearing ratio was maintained at a healthy level of approximately 49.4% which is similar to 31 December 2009 (31 December 2009: approximately 41.3%).

As at 30 June 2010, the Group's long-term loans amounted to approximately HK$215.8 million (31 December 2009: approximately HK$156.9 million), comprising interest-bearing bank and other borrowings of approximately HK$180.4 million (31 December 2009: approximately HK$132.9 million), long-term finance lease payable of approximately HK$23.4 million (31 December 2009: approximately HK$24.0 million), a loan from a minority shareholder of approximately HK$12.0 million (31 December 2009: Nil). The increase in long-term loan was mainly due to the additional long term loan borrowing of USD12 million for operational fund during the Period.

Exposure to fluctuation in foreign exchange and interest rate

Approximately 68.6% (six months ended 30 June 2009: approximately 77.6%) of the Group's sales were denominated in US dollars. The remaining sales were denominated in Hong Kong dollars and Renminbi. The majority of the Group's cost of sales was denominated in US dollars, Hong Kong dollars and Renminbi. The Group was therefore exposed to foreign exchange risk arising from currency exposures, primarily with respect to US dollars and Renminbi. Renminbi was relatively stable during the Period. The management closely monitors the foreign exchange movements and will determine the appropriate hedging activities when necessary. Exchange rates of other currencies were relatively stable throughout the Period.

The Group's borrowings were mainly maintained at floating rate basis. In order to minimize any potential financial impact arising from interest rate volatilities, the Group entered into 3-year interest rate swap with the banks in year 2008 to fix the interest rate at around 2.7% for the amount of HK$450.0 million (six months ended 30 June 2009: HK$450.0 million). Attention will be paid to the interest rate movements. Other hedging instruments will be employed when necessary.

Charge on the Group's assets

As at 30 June 2010, certain items of property, plant and equipment of the Group with an aggregate net book value of approximately HK$65.3 million (31 December 2009: approximately HK$63.7 million) were under finance leases. As at 30 June 2010, bank deposits of approximately HK$40.5 million (31 December 2009: approximately HK$40.4 million) were pledged to bank to secure certain banking facilities.

Capital expenditure

During the Period, the Group invested approximately HK$139.4 million (six months ended 30 June 2009: approximately HK$86.1 million) in non-current assets, of which approximately 87.9% (six months ended 30 June 2009: approximately 87.1%) was used for the purchase of plant and machinery, approximately 8.7% (six months ended 30 June 2009: approximately 9.2%) was used for the purchase and construction of new factory premises, and the remaining was used for the purchase of other property, plant and equipment.

As at 30 June 2010, the Group had capital commitments of approximately HK$44.6 million (31 December 2009: approximately HK$40.5 million) in respect of property, plant and equipment which are to be funded by internal resources of the Group. As mentioned above, the Group will be able to fulfill its capital commitments when they fall due.

Contingent liabilities

As at 30 June 2010, the Group had bills discounted with recourse of approximately HK$12.6 million (31 December 2009: Nil) which are supported by letters of credit. The Group had a contingent liability in respect of possible future long service payments to employees with a maximum possible amount of approximately HK$1.9 million (31 December 2009: approximately HK$1.7 million).

Material Acquisition and Disposal

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

HUMAN RESOURCES

As at 30 June 2010, the total number of employees of the Group was approximately 5,500 (31 December 2009: 5,100) in the PRC, 2,680 (31 December 2009: 4,650) in Madagascar, Africa, 158 (31 December 2009: 160) in Hong Kong, Macau, Singapore and Korea. Salaries of employees are maintained at competitive levels while bonuses are granted on a discretionary basis. 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 Period (six months ended 30 June 2009: 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.

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 Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the Period.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely Mr. Chan Yuk Tong, Jimmy (Chairman), Ms. Chu Hak Ha, Mimi and Mr. Ho Gilbert Chi Hang. The Audit Committee is primarily responsible for reviewing and supervising the financial reporting and the 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 six months ended 30 June 2010 before recommending them to the Board for approval.

GENERAL INFORMATION

At the date of this announcement, the executive Directors are Mr. Tai Chin Chun, Mr. Tai Chin Wen, Ms. Cheung So Wan, Ms. Wong Siu Yuk, Mr. Chong Chau Lam and Mr. Wong Wai Kong, Elmen; the non-executive Director is Mr. Lee Cheuk Yin, Dannis; and the independent non-executive Directors are Mr. Chan Yuk Tong, Jimmy, Ms. Chu Hak Ha, Mimi and Mr. Ho Gilbert Chi Hang.

APPRECIATION

The Board would like to express our sincere gratitude to the shareholders, investors and business partners for their continual support and to our staff for their dedicated work.

By Order of the Board
Tai Chin Chun
Chairman

Hong Kong, 24 August, 2010