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 2011

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 2011 (the "Period"), together with the comparative figures for the corresponding period in 2010, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2011

	Notes	**Six months ended 30 June 2011** *HK$'000* **(Unaudited)**	Six months ended 30 June 2010 *HK$'000* (Unaudited)
REVENUE	*2, 3*	**1,917,036**	1,505,557
Cost of sales		**(1,585,794)**	(1,257,539)
Gross profit		**331,242**	248,018
Other income and gains, net	*3*	**9,789**	14,720
Selling and distribution costs		**(56,472)**	(56,599)
Administrative expenses		**(154,349)**	(146,091)
Other operating income/(expenses), net		**(4,153)**	1,117
Finance costs		**(18,491)**	(9,259)
Gain on disposal of associates		**13,186**	–
Share of profits less losses of a jointly-controlled entity		**(2,474)**	1,386
PROFIT BEFORE TAX	*4*	**118,278**	53,292
Income tax expense	*5*	**(16,245)**	(4,702)
PROFIT FOR THE PERIOD		**102,033**	48,590

	Notes	**Six months ended 30 June 2011** *HK$'000* **(Unaudited)**	Six months ended 30 June 2010 *HK$'000* (Unaudited)
Attributable to:			
Ordinary equity holders of the Company		**95,352**	49,453
Non-controlling interests		**6,681**	(863)
		102,033	48,590
Interim dividend	*6*	**Nil**	Nil
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	*7*	**HK11.0 cents**	HK6.2 cents
Diluted	*7*	**HK11.0 cents**	HK5.9 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2011

	Six months ended 30 June 2011 *HK$'000* **(Unaudited)**	Six months ended 30 June 2010 *HK$'000* (Unaudited)
PROFIT FOR THE PERIOD	**102,033**	48,590
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	**167**	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**102,200**	48,590
Attributable to:		
Ordinary equity holders of the Company	**95,519**	49,453
Non-controlling interests	**6,681**	(863)
	102,200	48,590

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Notes	30 June 2011 HK$'000 (Unaudited)	31 December 2010 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**1,492,915**	1,512,328
Prepaid land lease payments		**60,714**	61,463
Interest in a jointly-controlled entity		**37,235**	39,709
Interests in associates		**51,737**	206,992
Deposits paid		**20,730**	20,730
Deferred tax assets		**2,881**	2,881
Total non-current assets		**1,666,212**	1,844,103
CURRENT ASSETS			
Inventories		**1,080,847**	988,548
Accounts and bills receivable	*8*	**564,208**	570,257
Prepayments, deposits and other receivables		**26,895**	39,340
Equity investments at fair value through profit or loss		**409**	607
Derivative financial instruments		**2,111**	2,143
Due from a jointly-controlled entity		**40,881**	42,441
Pledged deposits		**92,725**	87,415
Cash and cash equivalents		**455,673**	252,355
Total current assets		**2,263,749**	1,983,106
CURRENT LIABILITIES			
Accounts and bills payable	*9*	**543,724**	754,032
Accrued liabilities and other payables		**150,348**	225,437
Derivative financial instruments		**10,243**	10,696
Loan from a non-controlling shareholder		**12,000**	–
Due to an associate		**–**	1,600
Tax payable		**45,993**	33,675
Bank advances for discounted bills		**11,957**	24,239
Interest-bearing bank and other borrowings		**1,256,134**	825,815
Total current liabilities		**2,030,399**	1,875,494

	Notes	**30 June 2011** *HK$'000* **(Unaudited)**	31 December 2010 *HK$'000* (Audited)
NET CURRENT ASSETS		**233,350**	107,612
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,899,562**	1,951,715
NON-CURRENT LIABILITIES			
Loan from a non-controlling shareholder		**–**	12,000
Interest-bearing bank and other borrowings		**132,723**	251,093
Deferred tax liabilities		**653**	684
Total non-current liabilities		**133,376**	263,777
Net assets		**1,766,186**	1,687,938
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital		**86,992**	86,972
Reserves		**1,626,265**	1,554,122
		1,713,257	1,641,094
Non-controlling interests		**52,929**	46,844
Total equity		**1,766,186**	1,687,938

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 2010 except the impact for the adoption of the following amendment mandatory for periods beginning on or after 1 January 2011.

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 2011:

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

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 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:

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*[1]
HKFRS 9	*Financial Instruments*[4]
HKFRS 10	*Consolidated Financial Statements*[4]
HKFRS 11	*Joint Arrangements*[4]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*[2]
HKFRS 12	*Disclosure of Interests in Other Entities*[4]
HKFRS 13	*Fair Value Measurement*[4]
HKAS 1 (Revised)	*Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[3]
HKAS 19 (2011)	*Employee Benefits*[4]
HKAS 27 (2011)	*Separate Financial Statement*[4]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[4]
HKAS 31	*Interests in Joint Ventures*[4]
HK(SIC)-Int 12	*Consolidation – Special Purpose Entities*[4]
HK(SIC)-Int 13	*Jointly Controlled Entities – Non-Monetary Contributions by Venturers*[4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013

The application of new standard may have an impact on amounts reported in respect of the Group's financial assets and financial liabilities and the management of the Group is in the process of ascertaining the financial impact.

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.

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$'000*	Garment *HK$'000*	Others *HK$'000*	Total *HK$'000*
Six months ended 30 June 2011 (Unaudited)				
Segment revenue:				
Revenue from external customers	**1,805,201**	**111,835**	**–**	**1,917,036**
Intersegment revenue	**33,905**	**–**	**–**	**33,905**
	1,839,106	**111,835**	**–**	**1,950,941**
Elimination of intersegment revenue				**(33,905)**
Total revenue				**1,917,036**
Segment profit/(loss)	**125,572**	**13,488**	**183**	**139,243**
Finance costs	**(18,298)**	**(107)**	**(86)**	**(18,491)**
Share of profits less losses of a jointly-controlled entity	**(2,474)**	**–**	**–**	**(2,474)**
Profit before tax	**104,800**	**13,381**	**97**	**118,278**
Income tax expense	**(15,345)**	**(898)**	**(2)**	**(16,245)**
Profit for the period	**89,455**	**12,483**	**95**	**102,033**
As at 30 June 2011 (Unaudited)				
Assets and liabilities				
Segment assets	**3,701,946**	**132,912**	**3,250**	**3,838,108**
Interest in a jointly-controlled entity	**37,235**	**–**	**–**	**37,235**
Interests in associates	**–**	**–**	**51,737**	**51,737**
Deferred tax assets	**2,881**	**–**	**–**	**2,881**
Total assets	**3,742,062**	**132,912**	**54,987**	**3,929,961**
Segment liabilities	**2,125,786**	**27,449**	**9,887**	**2,163,122**
Deferred tax liabilities	**653**	**–**	**–**	**653**
Total liabilities	**2,126,439**	**27,449**	**9,887**	**2,163,775**
Other segment information:				
Six months ended 30 June 2011 (Unaudited)				
Depreciation and amortisation	**101,010**	**2,400**	**6**	**103,416**
Capital expenditure	**77,728**	**5,519**	**–**	**83,247**

	Fabric	Garment	Others	Total
	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
Intersegment revenue	20,411	–	–	20,411
	1,415,370	110,598	–	1,525,968
Elimination of intersegment revenue				(20,411)
Total revenue				1,505,557
Segment profit/(loss)	52,931	8,265	(31)	61,165
Finance costs	(8,988)	(135)	(136)	(9,259)
Share of profits less losses of a jointly-controlled entity	1,386	–	–	1,386
Profit/(loss) before tax	45,329	8,130	(167)	53,292
Income tax expense	(4,702)	–	–	(4,702)
Profit/(loss) for the period	40,627	8,130	(167)	48,590
As at 31 December 2010 (Audited)				
Assets and liabilities				
Segment assets	3,451,154	122,951	3,522	3,577,627
Interest in a jointly-controlled entity	39,709	–	–	39,709
Interests in associates	–	–	206,992	206,992
Deferred tax assets	2,881	–	–	2,881
Total assets	3,493,744	122,951	210,514	3,827,209
Segment liabilities	2,087,326	36,973	14,288	2,138,587
Deferred tax liabilities	684	–	–	684
Total liabilities	2,088,010	36,973	14,288	2,139,271
Other segment information:				
Six months ended 30 June 2010 (Unaudited)				
Depreciation and amortisation	89,482	1,774	247	91,503
Capital expenditure	134,407	4,946	–	139,353

Certain comparative amounts have been revised to conform with the current period's presentation.

Geographical information

(a) Revenue from external customers

	Six months ended 30 June 2011 *HK$'000* **(Unaudited)**	Six months ended 30 June 2010 *HK$'000* (Unaudited)
Singapore	**531,568**	541,600
Hong Kong	**375,388**	275,438
Korea	**351,822**	173,224
Mainland China	**284,211**	227,660
Taiwan	**172,421**	147,562
Others	**201,626**	140,073
	1,917,036	1,505,557

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

(b) Non-current assets

	30 June 2011 *HK$'000* **(Unaudited)**	31 December 2010 *HK$'000* (Audited)
Mainland China	**1,544,223**	1,562,197
Hong Kong	**97,287**	255,751
Madagascar	**21,124**	22,491
Singapore	**98**	79
Others	**599**	704
	1,663,331	1,841,222

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

Information about a major customer

Revenue of approximately HK$174.6 million (six months ended 30 June 2010: HK$183.6 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 2011 *HK$'000* **(Unaudited)**	Six months ended 30 June 2010 *HK$'000* (Unaudited)
Revenue		
Production and sale of knitted fabric, dyed yarn and provision of related subcontracting services	**1,805,201**	1,394,959
Production and sale of garment products and provision of related subcontracting services	**111,835**	110,598
	1,917,036	1,505,557
Other income		
Fee income from freight handling services	**1,927**	2,694
Bank interest income	**609**	437
Gross rental income	**164**	225
Others	**11,073**	13,642
	13,773	16,998
Gains, net		
Fair value gains/(losses), net		
Equity investment at fair value through profit or loss – held for trading	**(198)**	(190)
Derivative financial instruments – transactions not qualified as hedges but matured during the period	**4,346**	8,327
Derivative financial instruments – transactions not qualified as hedges and not yet matured	**(8,132)**	(10,415)
	(3,984)	(2,278)
Other income and gains, net	**9,789**	14,720

4. PROFIT BEFORE TAX

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

	Six months ended 30 June 2011 *HK$'000* **(Unaudited)**	Six months ended 30 June 2010 *HK$'000* (Unaudited)
Cost of inventories sold and services provided	**1,585,794**	1,257,539
Research and development costs	**3,068**	2,518
Depreciation of items of property, plant and equipment	**102,667**	90,556
Amortisation of prepaid land lease payments	**749**	751
Amortisation of intangible assets	**–**	196
Employee benefits expense (including directors' remuneration):		
Wages and salaries	**173,223**	145,696
Equity-settled share option expense	**–**	6,606
Pension scheme contributions	**5,252**	3,971
	178,475	156,273
Minimum lease payments under operating leases in respect of land and buildings	**3,663**	2,780
Gain on disposal of items of property, plant and equipment	**–**	(527)
Impairment of accounts receivable	**2,146**	–
Write-back of impairment allowance for accounts receivable	**(2,087)**	–
Fair value (gains)/losses, net		
Equity investment at fair value through profit or loss – held for trading	**198**	190
Derivative financial instruments – transactions not qualified as hedges but matured during the period	**(4,346)**	(8,327)
Derivative financial instruments – transactions not qualified as hedges and not yet matured	**8,132**	10,415
Foreign exchange differences, net	**3,172**	(1,751)

5. INCOME TAX

	Six months ended 30 June 2011 *HK$'000* **(Unaudited)**	Six months ended 30 June 2010 *HK$'000* (Unaudited)
Current tax – Hong Kong		
Charge for the period	**12,500**	1,400
Current tax – Elsewhere		
Charge for the period	**3,776**	3,302
Deferred tax credit	**(31)**	–
Total tax charge for the period	**16,245**	4,702

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 2010: 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 2010: Nil).

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

The calculation of basic earnings per share amounts is based on the profit for the Period attributable to ordinary equity holders of the Company of HK$95,352,000 (six months ended 30 June 2010: HK$49,453,000) and the weighted average of 869,916,790 (six months ended 30 June 2010: 799,539,110) ordinary shares deemed to have been in issue during the Period.

The calculation of diluted earnings per share amounts is based on the profit for the Period attributable to ordinary equity holders of the Company of HK$95,352,000 (six months ended 30 June 2010: 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 2011 *HK$'000* **(Unaudited)**	Six months ended 30 June 2010 *HK$'000* (Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the Company	**95,352**	49,453

	Number of shares	
	Six months ended 30 June 2011 (Unaudited)	Six months ended 30 June 2010 (Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the Period used in the basic earnings per share calculation	**869,916,790**	799,539,110
Effect of dilution – weighted average number of ordinary shares:		
Share options	**21,578**	45,185,396
	869,938,368	844,724,506

8. ACCOUNTS AND BILLS RECEIVABLE

The Group's trading with its customers are generally on credit with repayment term of two to four 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 are extended to four months). The Group seeks to 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 2011 ***HK$'000*** **(Unaudited)**	31 December 2010 *HK$'000* (Audited)
Within 1 month	**222,477**	307,266
1 to 2 months	**138,573**	174,662
2 to 3 months	**143,389**	57,100
Over 3 months	**59,769**	31,229
	564,208	570,257

Included in the above accounts and bills receivable as at 30 June 2011, amounts totaling HK$11,957,000 (31 December 2010: HK$24,239,000 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 2011 *HK$'000* **(Unaudited)**	31 December 2010 *HK$'000* (Audited)
Within 3 months	**463,827**	576,934
3 to 6 months	**75,169**	170,730
6 to 12 months	**4,516**	2,365
Over 1 year	**212**	4,003
	543,724	754,032

The accounts and bills payable are non-interest-bearing and are normally settled on credit terms within two to four months.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The operating environment remained understandably difficult for the textile and garment industry in the first half of 2011, as changing consumer sentiment was fickle whilst cost pressures persisted. However, backed by our sizable production scale, healthy cash flow and correct business focus, the Group's performance excelled against such aggressive industry competition and attained a set of outstanding interim results for the six months ended 30 June 2011.

For the Period, the Group's overall sales turnover increased by approximately 27.3% to HK$1,917.0 million (six months ended 30 June 2010: HK$1,505.6 million). Gross profit increased by approximately 33.5% to HK$331.2 million (six months ended 30 June 2010: HK$248.0 million) and net profit after tax (before deduction of any non-controlling interests) jumped to approximately HK$102.0 million (six months ended 30 June 2010: HK$48.6 million), representing a significant increase of approximately 109.9%. Net profit attributable to ordinary equity holders of the Company recorded a substantial increase of 92.7% to HK$95.4 million (six months ended 30 June 2010: HK$49.5 million). The impressive growth was mainly attributable to the effectiveness of the Group's fabric business due to (1) the focused development and expansion of the Group's distribution channel and network; and (2) the lifting of the Group's fabrics' average selling prices.

The Group's regional sales for the Period achieved a sound performance, with the People's Republic of China (the "PRC"), Hong Kong and Korea markets achieving growth rates of 24.8%, 36.3% and 103.1% respectively, as compared with the previous corresponding period. The strong growth is largely the result of our well-established sales network in Asia.

The global textile and garment industry is anticipated to undergo further market consolidation as the fluctuating cost of cotton yarn, our core raw material, continue to undermine the profitability of smaller textile peers. Being one of the leading players in the industry, the Group will benefit from this market rationalisation as orders have been shifting to suppliers with strong reputation and scale like us. This will further strengthen our turnover and ultimately drive our market share in the long-run.

Gross profit margin increased to 17.3% from 16.5% in the previous corresponding period and net profit margin surged to 5.3% from 3.2% in the previous corresponding period. The improvement in gross profit margin was mainly attributable to the enhanced product selling price and volume. These are the benefits of the Group's flexible cotton yarn procurement strategy and tighter inventory control during the Period. Furthermore, the expanded production volume gave the Group greater bargaining power, allowing us to pass on increased costs to our customers, and thus minimising pressure on our margins.

MAJOR DEVELOPMENTS

Recognising the market need for broader iron ore supply sources, the Group established a joint-venture with industry experts in early 2008, and commenced our investment in the Soalala, Madagascar mining project (the "Project"). On 31 January 2011, the Group diluted the beneficial interest in the Project, which was to be settled in two installments. The first instalment is US$30 million and the resulting net gain from the disposal amounted to approximately HK$13.2 million. The second installment will be subject to the fulfillment of certain conditions. Details of the disposal were set out in the announcement and circular of the Company dated 31 January 2011 and 23 February 2011, respectively.

As at 12 August 2011, the Group has successfully obtained a syndicated loan facility of HK$690.0 million for a term of three and a half years from a syndicate of banks at an interest rate of HIBOR plus 2.25% per annum for refinancing the current PRC and Hong Kong short term loans, supplying additional working capital and funding the future expansion of production facilities in our existing Enping manufacturing complex in China. This expansion may enhance the products mix for total solution to our buyers in future.

PROSPECTS

According to the National Bureau of Statistics of China, total retail sales of consumer goods in the PRC for the first half of 2011 increased by 16.8% year-on-year, whilst the PRC clothing retail sales for the same period outperformed the general retail market by 7.1 percentage points, achieving a year-on-year growth of 23.9%. It is further estimated that by 2020, the number of affluent consumers in the PRC will almost triple from 50 million to 140 million, thus greater demand for quality textile and garments is anticipated. Leveraging on the country's rapid economic development and burgeoning consumption power, the Group will adhere to our key focus in the region by strengthening our dominant role in the PRC textile and garment supply chain.

The Group will appropriately develop and expand our existing Enping production site in accordance with market demand. The increase in production capacity will enable the Group to encompass larger orders whilst lessening our reliance on subcontractors on certain high-end products. The Group also strives to enhance our product mix to produce non-seasonal and high-end functional products in the foreseeable future. Such endeavors will drive the Group's annual capacity and is expected to improve our margins prominently.

Going forward, the Board believes that the overall business outlook will remain challenging; however the Group overcame all obstacles and emerged as one of the stronger players in the industry. Backed by our all-rounded business scale, prudent inventory control, expanding customer base and high operating efficiency, the Group is confident to continue achieving sustainable profitability and further milestones for our shareholders.

FINANCIAL REVIEW

The Group recorded a revenue of approximately HK$1,917.0 million for the six months ended 30 June 2011, representing an overall growth of approximately 27.3% over the same period last year. The growth in revenue was attributable to increase in sales orders, product pricing and production capacity respectively.

Gross profit for the six months ended 30 June 2011 was approximately HK$331.2 million, representing an increase of approximately 33.5% as compared with the same period last year. Gross profit margin was approximately 17.3% for the six months ended 30 June 2011, representing an increase of approximately 4.8 percentage points over the gross profit margin of approximately 16.5% for the same period last year. The increase in gross profit margin was mainly due to effectiveness of the Group's fabric business due to (1) the focused development and expansion of the Group's distribution channel and network; and (2) the lifting of the Group's fabrics' average selling prices.

Net profit after tax (before deduction of the non-controlling interests) for the six months ended 30 June 2011 surged to HK$102.0 million, representing a significant increase of approximately 109.9% from the previous corresponding period. Net profit attributable to ordinary equity holders of the Company for the six months ended 30 June 2011 was approximately HK$95.4 million, representing an increase of 92.7% as compared with the same period last year. Net profit margin for the six months ended 30 June 2011 was approximately 5.3%, representing an increase of approximately 65.6 percentage points from the corresponding period of approximately 3.2% for the same period last year.

Administrative and selling expenses increased by approximately 4.0% as compared with the previous corresponding period. Comparing with the increase of turnover, management has applied stringent cost control on each level in administrative and selling expenses. Finance expenses increased by 98.9% to approximately HK$18.5 million as a result of increased interest expenses generated from two new term loans and PRC short term loans. Other income was down by approximately 33.3% to approximately HK$9.8 million due to decreases in freight charge reimbursement and steam sales during market consolidation.

Liquidity, financial resources and capital structure

As at 30 June 2011, the Group had net current assets of approximately HK$233.4 million (31 December 2010: net current assets of approximately HK$107.6 million). The increase in net asset was mainly due to the growth in profit. 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 2010: approximately 1.1 times).

The total bank and other borrowings of the Group as at 30 June 2011 was approximately HK$1,412.8 million (31 December 2010: approximately HK$1,113.1 million). Cash and cash equivalents of the Group were HK$455.7 million (31 December 2010: approximately HK$252.4 million). The Group's gearing ratio was maintained at a healthy level of approximately 49.1% (31 December 2010: approximately 52.9%). Net debt gearing ratio is net debt divided by the total capital plus net debt. Net debt comprises all interest-bearing bank and other borrowings, bank advances for discounted bills, loan from a non-controlling shareholder, an amount due to an associate, accounts and bills payable, and accrued liabilities and other payables less cash and cash equivalents. The total equity comprises owner's equity as stated in the condensed consolidated statement of financial position.

As at 30 June 2011, the Group's long-term loans amounted to approximately HK$132.7 million (31 December 2010: approximately HK$263.1 million), comprising interest-bearing bank borrowings of approximately HK$129.2 million (31 December 2010: approximately HK$245.9 million), long-term finance lease payable of approximately HK$3.5 million (31 December 2010: approximately HK$5.2 million). The decrease in long-term loan was mainly because part of the two committed term loans will be repaid within 12 months and reallocated to current liabilities.

Exposure to fluctuation in foreign exchange and interest rate

Approximately 68.2% (six months ended 30 June 2010: approximately 68.6%) 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 is therefore exposed to foreign exchange risk arising from currency exposures, primarily with respect to US dollars and Renminbi. The exchange rates of other currencies were relatively stable throughout the Period and immaterial on our cost structure. The management closely monitors the foreign exchange movements and will determine the appropriate hedging activities when necessary.

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

Charge on the Group's assets

As at 30 June 2011, certain items of property, plant and equipment of the Group with an aggregate net book value of approximately HK$56.3 million (31 December 2010: approximately HK$59.4 million) were under finance leases. As at 30 June 2011, bank deposits of approximately HK$92.7 million (31 December 2010: approximately HK$87.5 million) were pledged to bank to secure certain banking facilities.

As at 30 June 2011, a short term loan of US$10.0 million was guaranteed and secured against the Company's interest in its associate with book value of HK$51.7 million (31 December 2010: Nil)

Capital expenditure

During the Period, the Group invested approximately HK$83.2 million (six months ended 30 June 2010: approximately HK$139.4 million) in non-current assets, of which approximately 57.5% (six months ended 30 June 2010: approximately 87.9%) was used for the purchase of plant and machinery, approximately 37.4% (six months ended 30 June 2010: approximately 8.7%) 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 2011, the Group had capital commitments of approximately HK$31.1 million (31 December 2010: approximately HK$41.1 million) in property, plant and equipment. All are funded by internal resources and fund raising from the capital market respectively.

Contingent liabilities

As at 30 June 2011, the Group did not have any significant contingent liabilities (31 December 2010: Nil).

Material Acquisition and Disposal

On 31 January 2011, the Group entered into the disposal agreement with independent third party (the "Purchaser"), pursuant to which, among other things, the Group has agreed to dispose of and the Purchaser has agreed to acquire the Group's partial interest in associates and diluted beneficial interest in the mining project of Soalala. The disposal was completed on 1 February 2011 and the resulting net gain from the disposal was amounted to approximately HK$13.2 million. Details of the disposal were set out in the announcement and circular of the Company dated 31 January 2011 and 23 February 2011, respectively.

HUMAN RESOURCES

The Group had 6,848 (31 December 2010: 6,351) employees in the PRC, 3,751 (31 December 2010: 2,344) employees in Madagascar and 180 (31 December 2010: 171) employees in Hong Kong, Macau, Singapore and Korea as at 30 June 2011. 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 Period (six months ended 30 June 2010: 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 applicable code provisions of 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 the 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 2011 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, 23 August, 2011