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 2012

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 2012 (the "Period"), together with the comparative figures for the corresponding period in 2011, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2012

	Notes	**Six months ended 30 June 2012** ***HK$'000*** **(Unaudited)**	Six months ended 30 June 2011 *HK$'000* (Unaudited)
REVENUE	*2, 3*	**2,028,632**	1,917,036
Cost of sales		**(1,667,386)**	(1,585,794)
Gross profit		**361,246**	331,242
Other income and gains, net	*3*	**17,645**	9,789
Selling and distribution costs		**(77,691)**	(56,472)
Administrative expenses		**(189,197)**	(154,349)
Other operating income/(expenses), net		**3,007**	(4,153)
Gain on disposal of a subsidiary		**–**	13,186
Finance costs		**(20,236)**	(18,491)
Share of profits less losses of a jointly-controlled entity		**(3,229)**	(2,474)
PROFIT BEFORE TAX	*4*	**91,545**	118,278
Income tax expense	*5*	**(14,054)**	(16,245)
PROFIT FOR THE PERIOD		**77,491**	102,033

	Notes	**Six months ended 30 June 2012** *HK$'000* **(Unaudited)**	Six months ended 30 June 2011 *HK$'000* (Unaudited)
Attributable to:			
Ordinary equity holders of the Company		**69,777**	95,352
Non-controlling interests		**7,714**	6,681
		77,491	102,033
Interim dividend	*6*	**Nil**	Nil
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	*7*	**HK8.0 cents**	HK11.0 cents
Diluted	*7*	**HK8.0 cents**	HK11.0 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Six months ended 30 June 2012 HK$'000 (Unaudited)	Six months ended 30 June 2011 HK$'000 (Unaudited)
PROFIT FOR THE PERIOD	**77,491**	102,033
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	**–**	167
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**77,491**	102,200
Attributable to:		
Ordinary equity holders of the Company	**69,777**	95,519
Non-controlling interests	**7,714**	6,681
	77,491	102,200

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Notes	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**1,747,644**	1,622,430
Prepaid land lease payments		**71,191**	72,109
Intangible assets		**–**	–
Interest in a jointly-controlled entity		**29,812**	33,041
Interest in an associate		**48,848**	48,848
Deposits paid		**22,025**	27,553
Deferred tax assets		**5,020**	5,020
Total non-current assets		**1,924,540**	1,809,001
CURRENT ASSETS			
Inventories		**987,903**	899,011
Accounts and bills receivable	*8*	**731,746**	872,463
Prepayments, deposits and other receivables		**53,126**	56,124
Equity investments at fair value through profit or loss		**343**	159
Derivative financial instruments		**136**	1,960
Due from a jointly-controlled entity		**42,800**	14,505
Tax recoverable		**216**	748
Pledged deposits		**78,739**	121,790
Cash and cash equivalents		**385,162**	553,108
Total current assets		**2,280,171**	2,519,868
CURRENT LIABILITIES			
Accounts and bills payable	*9*	**728,131**	812,820
Accrued liabilities and other payables		**86,687**	131,529
Derivative financial instruments		**236**	6,614
Loan from a shareholder of an associate		**77,800**	77,800
Tax payable		**46,445**	46,009
Bank advances for discounted bills		**–**	114,783
Interest-bearing bank and other borrowings		**623,276**	491,513
Total current liabilities		**1,562,575**	1,681,068

	30 June 2012	31 December 2011
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
NET CURRENT ASSETS	**717,596**	838,800
TOTAL ASSETS LESS CURRENT LIABILITIES	**2,642,136**	2,647,801
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**708,638**	752,775
Deferred tax liabilities	**920**	697
Total non-current liabilities	**709,558**	753,472
Net assets	**1,932,578**	1,894,329
EQUITY		
Equity attributable to ordinary equity holders of the Company		
Issued capital	**86,992**	86,992
Reserves	**1,787,132**	1,746,062
	1,874,124	1,833,054
Non-controlling interests	**58,454**	61,275
Total equity	**1,932,578**	1,894,329

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 ("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 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 2011 except for the impact for the adoption of the following amendment mandatory for periods beginning on or after 1 January 2012.

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 2012:

HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*
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*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*

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:

HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[1]
HKAS 19 (2011)	*Employee Benefits*[2]
HKAS 27 (2011)	*Separate Financial Statement*[2]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[3]

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[2]
HKFRS 7 and HKFRS 9 Amendments	*Mandatory Effective Date of HKFRS 9 and Transition Disclosure*[4]
HKFRS 9	*Financial Instruments*[4]
HKFRS 10	*Consolidated Financial Statements*[2]
HKFRS 11	*Joint Arrangements*[2]
HKFRS 12	*Disclosure of Interests in Other Entities*[2]
HKFRS 13	*Fair Value Measurement*[2]
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	*Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance*[2]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]
Annual Improvements Project	*Annual Improvements of HKFRS 2009-2011 Cycle*[2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

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 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	Garment	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Six months ended 30 June 2012 (Unaudited)				
Segment revenue:				
Revenue from external customers	**1,885,250**	**143,382**	**–**	**2,028,632**
Intersegment revenue	**44,256**	**–**	**–**	**44,256**
	1,929,506	**143,382**	**–**	**2,072,888**
Elimination of intersegment revenue				**(44,256)**
Total revenue				**2,028,632**
Segment profits	**101,826**	**12,719**	**465**	**115,010**
Finance costs	**(20,061)**	**(147)**	**(28)**	**(20,236)**
Share of profits less losses of a jointly-controlled entity	**(3,229)**	**–**	**–**	**(3,229)**
Profit before tax	**78,536**	**12,572**	**437**	**91,545**
Income tax expense	**(13,522)**	**(532)**	**–**	**(14,054)**
Profit for the period	**65,014**	**12,040**	**437**	**77,491**
As at 30 June 2012 (Unaudited)				
Assets and liabilities				
Segment assets	**3,934,648**	**181,458**	**4,925**	**4,121,031**
Interest in a jointly-controlled entity	**29,812**	**–**	**–**	**29,812**
Interest in an associate	**–**	**–**	**48,848**	**48,848**
Deferred tax assets	**5,020**	**–**	**–**	**5,020**
Total assets	**3,969,480**	**181,458**	**53,773**	**4,204,711**
Segment liabilities	**2,210,778**	**52,874**	**7,561**	**2,271,213**
Deferred tax liabilities	**920**	**–**	**–**	**920**
Total liabilities	**2,211,698**	**52,874**	**7,561**	**2,272,133**
Other segment information:				
Six months ended 30 June 2012 (Unaudited)				
Depreciation and amortisation	**109,159**	**2,152**	**3**	**111,314**
Capital expenditure	**234,775**	**928**	**27**	**235,730**

	Fabric	Garment	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'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 profits	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 31 December 2011 (Audited)				
Assets and liabilities				
Segment assets	4,116,704	121,686	3,570	4,241,960
Interest in a jointly-controlled entity	33,041	–	–	33,041
Interest in an associate	–	–	48,848	48,848
Deferred tax assets	5,020	–	–	5,020
Total assets	4,154,765	121,686	52,418	4,328,869
Segment liabilities	2,385,973	39,304	8,566	2,433,843
Deferred tax liabilities	697	–	–	697
Total liabilities	2,386,670	39,304	8,566	2,434,540
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

Geographical information

(a) Revenue from external customers

	Six months ended 30 June 2012 ***HK$'000*** **(Unaudited)**	Six months ended 30 June 2011 *HK$'000* (Unaudited)
Singapore	**674,964**	531,568
Hong Kong	**417,499**	375,388
Korea	**354,764**	351,822
Mainland China	**200,176**	284,211
Taiwan	**128,443**	172,421
Others	**252,786**	201,626
	2,028,632	1,917,036

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

(b) Non-current assets

	30 June 2012 ***HK$'000*** **(Unaudited)**	31 December 2011 *HK$'000* (Audited)
Mainland China	**1,809,402**	1,691,550
Hong Kong	**89,491**	91,940
Madagascar	**20,012**	19,755
Singapore	**76**	75
Others	**539**	661
	1,919,520	1,803,981

The non-current asset information above is based on the location of assets and excludes deferred tax assets.

Information about a major customer

Revenue of approximately HK$206.7 million (six months ended 30 June 2011: HK$174.6 million) was derived from sales by the fabric products segment and subcontracting services 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 2012 *HK$'000* **(Unaudited)**	Six months ended 30 June 2011 *HK$'000* (Unaudited)
Revenue		
Production and sale of knitted fabric, dyed yarn and provision of related subcontracting services	**1,885,250**	1,805,201
Production and sale of garment products and provision of related subcontracting services	**143,382**	111,835
	2,028,632	1,917,036
Other income		
Fee income from freight handling services	**3,010**	1,927
Bank interest income	**1,115**	609
Gross rental income	**130**	164
Others	**9,039**	11,073
	13,294	13,773
Gains, net		
Fair value gains/(losses), net:		
Equity investment at fair value through profit or loss – held for trading	**184**	(198)
Derivative financial instruments – transactions not qualified as hedges but matured during the period	**4,268**	4,346
Derivative financial instruments – transactions not qualified as hedges and not yet matured	**(101)**	(8,132)
	4,351	(3,984)
Other income and gains, net	**17,645**	9,789

4. PROFIT BEFORE TAX

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

	Six months ended 30 June 2012 *HK$'000* **(Unaudited)**	Six months ended 30 June 2011 *HK$'000* (Unaudited)
Cost of inventories sold and services provided	**1,667,386**	1,585,794
Research and development costs	**3,617**	3,068
Depreciation of items of property, plant and equipment	**110,396**	102,667
Amortisation of prepaid land lease payments	**918**	749
Employee benefits expense (including directors' remuneration):		
Wages and salaries	**210,394**	173,223
Pension scheme contributions	**6,870**	5,252
	217,264	178,475
Minimum lease payments under operating leases in respect of land and buildings	**4,035**	3,663
Loss on disposal of items of property, plant and equipment	**28**	–
Impairment of accounts receivable	**–**	2,146
Write-back of impairment allowance for accounts receivable	**(1,933)**	(2,087)
Fair value losses/(gains), net:		
Equity investment at fair value through profit or loss – held for trading	**(184)**	198
Derivative financial instruments – transactions not qualified as hedges but matured during the period	**(4,268)**	(4,346)
Derivative financial instruments – transactions not qualified as hedges and not yet matured	**101**	8,132
Foreign exchange differences, net	**(2,602)**	3,172

5. INCOME TAX

	Six months ended 30 June 2012	Six months ended 30 June 2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax – Hong Kong Charge for the period	**8,091**	12,500
Current tax – Elsewhere Charge for the period	**5,740**	3,776
Deferred tax charge/(credit)	**223**	(31)
Total tax charge for the period	**14,054**	16,245

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 2011: 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 2011: 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$69,777,000 (six months ended 30 June 2011: HK$95,352,000), and the number of 869,919,000 (six months ended 30 June 2011: weighted average of 869,916,790) ordinary shares deemed to have been in issue during the Period.

The calculation of diluted earnings per share amount is based on the profit for the Period attributable to ordinary equity holders of the Company of HK$69,777,000 (six months ended 30 June 2011: HK$95,352,000). 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 2012 *HK$'000* (Unaudited)	Six months ended 30 June 2011 *HK$'000* (Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the Company	**69,777**	95,352

	Number of shares	
	Six months ended 30 June 2012 (Unaudited)	Six months ended 30 June 2011 (Unaudited)
Shares		
Number of (six months ended 30 June 2011: weighted average number of) ordinary shares in issue during the Period used in the basic earnings per share calculation	**869,919,000**	869,916,790
Effect of dilution – weighted average number of ordinary shares:		
Share options	**–**	21,578
	869,919,000	869,938,368

8. ACCOUNTS AND BILLS RECEIVABLE

The Group's trading terms with its customers are generally on credit with terms of up to two 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 terms are extended to four 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 relates 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 2012	31 December 2011
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 1 month	**324,036**	336,470
1 to 2 months	**160,671**	231,916
Over 2 months	**247,039**	304,077
	731,746	872,463

No accounts and bills receivable as at 30 June 2012 (31 December 2011: HK$114,783,000) 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 reporting period, based on the invoice date, is as follows:

	30 June 2012	31 December 2011
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 3 months	**653,877**	702,965
3 to 6 months	**68,881**	106,749
6 to 12 months	**3,921**	3,106
Over 1 year	**1,452**	–
	728,131	812,820

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The operating environment remained challenging in the first half of 2012 as deteriorating market conditions in the United States and the European Union ("the US and the EU") continued to affect the performance of Chinese textile and garment enterprises. This resulted in a massive market consolidation process as weak export prospects and persistent cost pressures suppressed the profitability of small and medium-sized players. The Board, however, is pleased to report that such adjustments in the market have worked to our advantage, the Group was able to gain larger market share whilst containing costs, anchored by our operational flexibility and efficiency. This, in return, sustained our turnover growth and gross profit margin.

For the Period, the Group's overall sales turnover increased by approximately 5.8% to HK$2,028.6 million (six months ended 30 June 2011: HK$1,917.0 million). Gross profit increased by approximately 9.1% to HK$361.2 million (six months ended 30 June 2011: HK$331.2 million) whilst net profit for the Period decreased by approximately 24.0% to HK$77.5 million (six months ended 30 June 2011: HK$102.0 million). Excluding the one-off gain of HK$13.2 million in relation to the disposal of part of our equity interests in the Madagascar mining project last year, the decrease in net profit of the Group's core business narrowed to approximately 12.7% as compared to the same period last year.

The Group's regional sales achieved a modest performance with Singapore and Hong Kong markets registering growth rates of 27.0% and 11.2% respectively, as compared with the previous corresponding period. The Group has also broadened our geographic exposure to emerging countries such as Russia and South Africa during the Period and is making good progress in these new markets.

The stark difference between this year's and last year's interim results was mainly due to exceptional changes in the overall operating environment. In the first quarter of 2011, the price of cotton yarn reached a historical high at US$2.4 per pound. Under such circumstances, the Group implemented flexible procurement strategies to hedge against further price surges and to maintain costs at a reasonable level. An enlarged order book due to strong-buying from customers to lock in better raw material prices at the end of 2010 also gave the Group greater bargaining power to pass on increased costs. Such positive factors hence contributed to our strong interim performance last year in both revenue and profit.

The situation, however, changed drastically when cotton prices fell from its peak in March 2011 and became stabilised at approximately US$0.8 per pound in the first half of 2012. This triggered prudent purchasing behaviour from our customers. On the other hand, deteriorating operating environment due to diminishing demands from the US and the EU has, in return, intensified market competition and lowered the overall pricing power of textile manufactures significantly. The Group has since adopted flexible and competitive pricing strategies to acquire greater market share during such difficult times. This inevitably affected our product average selling price ("ASP"), which decreased significantly from the previous corresponding period. Nonetheless, thanks to the continual support of our existing customers coupled with increased orders from new clients brought forth by the current market rationalisation, our production volume has expanded substantially. This successfully offset the unfavourable ASP factor and maintained our turnover growth at a satisfactory level.

To stay abreast of the competition and to maintain our profit margins, the Group has been putting extra efforts in maintaining stringent cost control during the Period. New machineries upgrades were introduced to gradually automate production lines, thus achieving higher operating efficiency and contribution on profit margins simultaneously. Moreover, increases in order volume from new and existing clients have expanded the Group's production scale and effectively averaged down production overheads. Such factors improved the Group's gross profit margin to 17.8% from 17.3% in the previous corresponding period. Net profit margin dropped moderately to 3.8% from 4.6% in the previous corresponding period (excluding the one-off gain on disposal amounting to approximately HK$13.2 million). This was mainly due to increases in selling and distribution costs and administrative expenses associated with bigger sales volume handled during the Period.

PROSPECTS

Looking ahead, the Board foresees the on-going industry consolidation as a pivotal opportunity to strengthen our leading position in the market. Hence, market diversification and cost control strategies to enhance sales and margins will remain a top priority for the Group in the second half of 2012. To drive our business forward, the development of value-added products is well underway and a new fabric printing factory in Enping, the People's Republic of China (the "PRC") is scheduled for trial production by the end of 2012. Contribution from the new business line is expected in 2013. In addition, automation and cost saving efforts through machine upgrades will continue to be implemented at all levels, and tighter inventory control will be enforced to ensure a healthy financial position for the Group's continuous developments. Such endeavours will together drive the Group's profit and margins in future.

Regional expansion to key markets outside the US and the EU will be our focus in order to diversify business and operational risks. The management is confident that the Group's operational capacity and credibility in ensuring top-quality services will serve the new markets well, bringing in greater clientele revenue for a long-term growth.

The Group will continue to firmly take hold of our prominent position in the industry and at the same time to proactively capture further market share. Supported by our all-rounded business scale, expanding customer base and high operating efficiency, we are confident to continue achieving sustainable profitability for our shareholders.

FINANCIAL REVIEW

The Group recorded a revenue of HK$2,028.6 million for the Period, representing an overall growth of approximately 5.8% over the same period last year. The growth in revenue was primarily attributable to increases in sales orders especially from the Singapore and Hong Kong markets.

Gross profit for the Period was HK$361.2 million, representing an increase of approximately 9.1% as compared with the same period last year. Gross profit margin improved to 17.8% from 17.3% with the same period last year. The increase in gross profit margin was mainly due to the effectiveness of cost control strategies implemented during the Period.

Net profit for the Period was HK$77.5 million, representing a decline of 24.0% over the same period last year. Excluding the one-off gain of HK$13.2 million in relation to the disposal of part of our equity interests in the Madagascar mining project last year, the adjusted net profit on core business would be HK$88.8 million representing a drop of 12.7% as compared to the same period last year. Net profit margin was 3.8%, representing a decrease of 0.8 percentage points over the net profit margin of 4.6% last period (excluding the one-off gain on disposal).

Selling and distribution costs and administrative expenses increased 26.6% to approximately HK$266.9 million, whilst finance costs increased by 9.2% to approximately HK$20.2 million as a result of increased interest expenses generated from the newly obtained syndicated loan. Other income was up 79.6% due to fair value gain on financial instruments.

Liquidity, financial resources and capital structure

As at 30 June 2012, the Group's net current assets were HK$717.6 million (31 December 2011: HK$838.8 million). The increase in net asset was mainly due to the combination of new factory set up in Enping and growth in profit. The Group will constantly review its financial position and maintain a healthy financial position by financing its operations from internally generated resources and bank loans. As at 30 June 2012, the Group had cash and cash equivalents of HK$385.2 million (31 December 2011: HK$553.1 million). Current ratio as at 30 June 2012 was 1.5 times (31 December 2011: 1.5 times).

Total bank and other borrowings of the Group as at 30 June 2012 was HK$1,409.7 million (31 December 2011: HK$1,436.9 million). The Group's net debt gearing ratio as at 30 June 2012 (net debt divided by the total capital plus net debt) was at a healthy level of 49.5% (31 December 2011: 49.9%). Net debt comprises all interest-bearing bank and other borrowings, bank advances for discounted bills, loan from a shareholder of an associate, accounts and bills payable, and accrued liabilities and other payables less cash and cash equivalents. The total capital comprises owners' equity as stated in the condensed consolidated financial statements.

As at 30 June 2012, the Group's long-term loans were HK$708.6 million (31 December 2011: HK$752.8 million), comprising syndicated loan and term loans from banks of HK$694.6 million (31 December 2011: HK$746.0 million), and long-term finance lease payable of HK$14.0 million (31 December 2011: HK$6.8 million). The decrease in long-term loan was mainly because of the reclassification of part of the term loans from non-current liabilities to current liabilities during the Period.

Exposure to fluctuation in foreign exchange and interest rate

73.6% (six months ended 30 June 2011: 68.2%) of the Group's sales was denominated in US dollars. The remaining sales were denominated in Hong Kong dollars and Renminbi. The majority of the Group's cost of sales were denominated in US dollars, Hong Kong dollars and Renminbi. The Group is therefore exposed to foreign exchange risk arising from currency exposures, primarily in respect of Renminbi. The exchange rates of other currencies were relatively stable throughout the Period and were immaterial on our cost structure. The management closely monitors the foreign exchange movements and determines the appropriate hedging activities when necessary.

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

Charge of Group's assets

As at 30 June 2012, certain items of property, plant and equipment of the Group with an aggregate net book value of HK$64.2 million (31 December 2011: HK$45.3 million) were under finance leases.

As at 30 June 2012, a short-term loan of US$10.0 million (equivalent to approximately HK$77.8 million) was guaranteed and secured against the Company's interest in an associate with book value of HK$48.8 million (31 December 2011: HK$48.8 million).

Capital expenditure

During the Period, the Group invested HK$235.7 million (six months ended 30 June 2011: HK$83.2 million) in capital expenditure of which 89.9% (six months ended 30 June 2011: 57.5%) was used for the purchase of plant and machinery, 8.3% (six months ended 30 June 2011: 37.4%) was used for the acquisition and construction of new factory premises, and the remaining was used for the purchase of other property, plant and equipment.

As at 30 June 2012, the Group had capital commitments of HK$208.0 million (31 December 2011: HK$147.2 million) in property, plant and equipment. All are funded or will be funded by internal resources.

Contingent liabilities

As at 30 June 2012, the Group did not have any significant contingent liabilities (31 December 2011: Nil).

Material acquisition and disposal

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

HUMAN RESOURCES

The Group had 6,674 (31 December 2011: 6,379) employees in the PRC, 5,332 (31 December 2011: 4,192) employees in Madagascar and 187 (31 December 2011: 180) employees in Hong Kong, Macau, Singapore and Korea as at 30 June 2012. 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 2011: 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 provisions of 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. Chan Yuk Tong, Jimmy (as 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 Period 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 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, 28 August 2012