



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 : 2307



Interim Report **2007**

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Tai Chin Chun (*Chairman*)
Mr. Tai Chin Wen (*Chief Executive Officer*)
Ms. Cheung So Wan
Ms. Wong Siu Yuk
Mr. Chong Chau Lam

Independent Non-Executive Directors

Mr. Chan Yuk Tong, Jimmy
Ms. Chu Hak Ha, Mimi
Mr. Ku Shiu Kuen, Anthony
Mr. Chan Chung Yuen, Lawrence
(appointed on 1 July 2007)

Audit Committee

Mr. Chan Yuk Tong, Jimmy (*Chairman*)
Ms. Chu Hak Ha, Mimi
Mr. Ku Shiu Kuen, Anthony
Mr. Chan Chung Yuen, Lawrence
(appointed on 1 July 2007)

Company Secretary

Mr. Wong Wai Kong, Elmen

Auditors

Ernst & Young
Certified Public Accountants

Company Website

www.kamhingintl.com

Registered Office

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head Office and Principal Place of Business

Units 1-9, 8th Floor
Lucida Industrial Building
43-47 Wang Lung Street
Tsuen Wan
New Territories
Hong Kong

Principal Share Registrar and Transfer Office in Cayman Islands

Bank of Bermuda (Cayman) Limited
PO Box 513 GT, Strathvale House
North Church Street
George Town, Grand Cayman
Cayman Islands
British West Indies

Branch Share Registrar and Transfer Office in Hong Kong

Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Stock Code

The Stock Exchange of Hong Kong Limited: 2307
CUSIP Reference Number: G5213T101

KEY HIGHLIGHTS

The board (the "Board") of directors (the "Directors") of Kam Hing International Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2007 (the "Period"). The interim results are unaudited, and have been reviewed by the audit committee of the Company.

Comparing with the six months ended 30 June 2006,

- Revenue for the Period increased by approximately 19.5% to approximately HK\$1,070.5 million;
- Gross profit for the Period increased by approximately 22.3% to approximately HK\$222.2 million; and
- Net profit attributable to shareholders for the Period increased by approximately 11.2% to approximately HK\$63.7 million.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of the Company, I am pleased to announce the unaudited consolidated results of the Group for the six months ended 30 June 2007.

For the six months ended 30 June 2007, the Group's revenue increased by approximately 19.5% to HK\$1,070.5 million when compared with that for the corresponding period in 2006. Net profit attributable to shareholders increased by approximately 11.2% to HK\$63.7 million.

The increase in revenue was attributable to the strong growth of fabric sales in the first half of 2007 as a result of the effort of our research and development and marketing team as well as the contribution from the new garment operations, which accounted for approximately 4% of the Group's total revenue.

During the Period under review, the management has implemented various measures to control operating cost and improve production efficiency following the installation of new production facilities in 2006. However, the effect is partially offset by the increase in labour cost due to labour shortage and the Renminbi appreciation in the first half of 2007. As a whole, the Group was able to achieve a gross profit margin of 20.8%, representing an increase of 0.5 percentage point from that of the previous year. Notwithstanding higher operating cost incurred during the initial set up of the garment facilities in Madagascar, our net profit margin remains at the similar level for the Period, with a slight decrease by 0.5 percentage point to 5.9%.

The Group extended its business to garment manufacturing in late 2006 by establishment of a garment factory in Madagascar, a country that enjoys quota and import duty privileges for the market in the United States. To further strengthen the garment operations and to meet the increasing orders from the existing customers, the Group established the second garment factory in Madagascar in June 2007. Revenue for the garment operation during the Period under review was approximately HK\$42.6 million, accounting for approximately 4% of the Group's total revenue. Despite the fact that we have to absorb higher operating cost during the initial stage of operations, we are pleased to have continuous improvement of operation efficiency. We are confident that the garment operations would become a new growth driver to the Group in the near future.

In addition, with the aim to sustain future growth for the core fabric business, the Group entered into a joint venture agreement to establish a second fabrics factory in Enping, the PRC in December 2007. The new factory will provide additional annual capacity of about 36 million pound and is expected to commence operations in mid-2008. As a result, the Group will be able to lower the outsourcing proportion of fabric manufacturing which will reduce the reliance on the subcontractors, as well as to provide flexibility on production of different kinds of product to meet the demand from the prevailing customers.

On the product development front, the Group has established a new research and development centre in Panyu in July 2007, to further strengthen the fabric design and development capability by providing value-added services to the customers. Along with the continuous steps to strengthen the competitive edges of the Group, we are confident that the Group could sustain continuous growth in the textile market.

We believe the pricing pressure will be alleviated in light of the recovery of textile market after uplift of export quota against the PRC textile. On the other hand, the tightened environmental control in the PRC will reduce competition in the long run, which will be favourable to the Group with a solid foundation.

Finally, on behalf of the Board, I would like to express my sincere gratitude to the shareholders, investors and business partners for their continuous support and dedication and to the staff for their devotion. I believe that the Group will be able to extend the past success in the fabrics market to garment industry in the field of textile business.

Tai Chin Chun

Chairman

Hong Kong, 4 September 2007

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Result

The Group recorded unaudited revenue of approximately HK\$1,070.5 million for the six months ended 30 June 2007 comprising sales of fabrics, dyed yarn and garment products, representing an overall growth of approximately 19.5% over the same period last year. The growth in revenue was attributable to the expansion of sales network by introduction of new customers and growth of order from the existing customers as well as the new source of revenue from garment operation.

The gross profit for the six months ended 30 June 2007 was approximately HK\$222.2 million, representing an increase of approximately 22.3% compared with the same period last year. The gross profit margin was approximately 20.8% for the six months ended 30 June 2007, representing an increase of approximately 0.5 percentage points over the gross profit margin of approximately 20.3% for the same period last year. The increase in gross profit margin was mainly due to the improvement of operating efficiency by enhancement of the production facilities in the Panyu manufacturing base last year. The increase in operating efficiency is partly offset by the increase in labour cost due to labour shortage and the Renminbi appreciation.

Unaudited net profit attributable to shareholders for the six months ended 30 June 2007 was approximately HK\$63.7 million, representing an increase of approximately 11.2% compared with the same period last year. The net profit margin for the six months ended 30 June 2007 was approximately 5.9%, representing a decrease by approximately 0.5 percentage points from the corresponding period of approximately 6.4% last year. Administrative and selling expenses increased by approximately 21.8%, which is in line with the growth of revenue. The reduction in net gross profit margin is mainly attributable to the higher operating and administrative cost in the initial stage of the new garment operation as well as Renminbi appreciation.

Business Review

1. *Manufacture and sale of finished knitted fabrics, dyed yarn and garment products*

The principal operation of the Group is the manufacture and sale of finished knitted fabrics, dyed yarn and garment products. During the Period, revenue amounted to approximately HK\$1,070.5 million, representing a growth of approximately 19.5% over the same period last year. Garment manufacturing is a new operation commenced in late 2006. Revenue for garment sales during the Period is approximately HK\$42.6 million representing approximately 4% of total revenue.

2. *Geographical analysis of the Group's revenue*

During the Period, customers from Singapore, Hong Kong, PRC, Taiwan and other areas accounted for about approximately 49.1%, 14.8%, 10.8%, 8.0% and 17.3% of the Group's total revenue, respectively. Sales to Singapore, Hong Kong and PRC increased by approximately 10.2%, 3.9% and 69.4%, respectively, as a result of enhancement of customer services in the regions. Sales to Taiwan reduced by approximately 20.0% because the Group intended to shift to other customers with higher profit margin. Sales to other areas increased by approximately 103.5% mainly attributable to the development of new customers in USA, Korea and Africa.

Business Outlook

The Group continued to diversify into different markets by supplying fabrics and dyed yarn to new labels and develop new Korea and PRC markets to sustain the growth. The new Enping factory, which will commence operation in mid-2008, will provide additional production capacity to support the continuous expansion of the market.

Garment business is a new operation commenced in late 2006. After the initial set up phase of the factory, the production efficiency has improved. It is expected the revenue will be increased in the future due to the expansion of orders from the existing customers as well as new customers.

Financial Review

Liquidity, financial resources and capital structure

The Group maintained a healthy financial and liquidity position. As at 30 June 2007, the total current assets and current ratio of the Group were approximately HK\$1,435.4 million (31 December 2006: HK\$1,056.9 million) and approximately 1.3 times (31 December 2006: 1.0 times) respectively. The total cash and bank deposits balance of the Group as at 30 June 2007 was approximately HK\$155.0 million (31 December 2006: HK\$193.1 million).

As at 13 April 2007, the Group has successfully obtained a four-year syndicated loan facility of HK\$440.0 million from a syndicate of banks at interest rate of HIBOR plus 0.68% per annum for refinancing current syndicated loan, supplying additional working capital and financing future expansion of production capacity. The syndicated loan facility could reduce interest expenses and strengthen the Group's financial position.

As at 30 June 2007, total bank borrowings for the Group, including bank advances for discounted bills of HK\$65.6 million (31 December 2006: HK\$85.8 million), amounted to approximately HK\$919.6 million (31 December 2006: HK\$750.0 million), of which 49.9% (31 December 2006: 74.9%) was repayable within one year and 50.1% (31 December 2006: 25.1%) was repayable within two to five years. For the total bank borrowings as at 30 June 2007, 5.6% of the balance (31 December 2006: 9.4%) was secured under finance lease. Besides, 72.0% (31 December 2006: 72.6%) and 28.0% (31 December 2006: 27.4%) of the balance was denominated in HK\$ and US\$, respectively.

The net debt gearing ratio of the Group as at 30 June 2007 (bank borrowings net of cash on hand and bank deposits to equity) was approximately 90.6% (31 December 2006: 69.7%). Increase in total bank borrowings and net debt gearing ratio was mainly due to the increase in working capital for growth of revenue during the Period and the seasonal effect in the peak production period from March to August.

As at 30 June 2007, the Group had net tangible assets of approximately HK\$ 843.7 million (31 December 2006: HK\$798.7 million), comprising non-current assets of approximately HK\$1,001.3 million (31 December 2006: HK\$939.3 million), net current assets of approximately HK\$303.1 million (31 December 2006: HK\$47.8 million) and non-current liabilities of approximately HK\$460.7 million (31 December 2006: HK\$188.4 million).

Exposure to fluctuation in foreign exchange and interest rate

Approximately 74.2% (six months ended 30 June 2006: 75.0%) 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. Renminbi appreciated against other currencies continuously during the Period under review. The management closely monitors the foreign exchange movements and determines the appropriate hedging activities when necessary. Exchange rate of the other currencies was relatively stable throughout the Period under review.

The Group's borrowings were mainly maintained as floating rate basis. Attention will be paid to the interest rate movements. Hedging instruments will be employed when necessary to hedge against unanticipated interest rate volatilities.

Charge on the Group's assets

As at 30 June 2007, certain items of property, plant and equipment of the Group with an aggregate net book value of approximately HK\$181.6 million (31 December 2006: HK\$194.6 million) were under finance lease.

Capital expenditure

During the Period, the Group invested approximately HK\$102.6 million (six months ended 30 June 2006: HK\$111.6 million) in property, plant and equipments, as well as prepaid land lease payments, of which approximately 73.1% (six months ended 30 June 2006: 53.4%) was used for the purchase of plant and machinery, approximately 15.9% (six months ended 30 June 2006: 34.5%) was used for the purchase and construction of new factory premises, approximately 7.3% (six months ended 30 June 2006: 7.6%) was used for the acquisition of land for production capacity expansion, and the remaining was used for the purchase of other property, plant and equipment.

As at 30 June 2007, the Group had capital commitments of approximately HK\$14.2 million (31 December 2006: HK\$6.2 million) and HK\$100.5 million (31 December 2006: HK\$15.7 million) in respect of plant and equipment and construction in progress respectively. As mentioned above, the Group will be able to fulfill its capital commitments when they fall due.

Contingent liabilities

As at 30 June 2007, the Group also had bills discounted with recourse of approximately HK\$45.7 million (31 December 2006: HK\$103.3 million) 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\$1.5 million (31 December 2006: HK\$2.1 million).

Material Acquisition and Disposal of Subsidiaries and Associated Companies

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

Human Resources

As at 30 June 2007, the total number of employees of the Group was approximately 4,350 (31 December 2006: 4,050) in the PRC, 3,340 (31 December 2006: 1,140) in Madagascar, 140 (31 December 2006: 153) in Hong Kong, Macau and Singapore. 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 2006: Nil).

Use of Proceeds from the Company's Initial Public Offering

The proceeds from the Company's issue of new shares at the time of its listing on the Main Board of The Stock Exchange of Hong Kong of Hong Kong Limited (the "Stock Exchange") in September 2004, after deduction of related issue expenses, amounted to approximately HK\$186.2 million. During the year ended 31 December 2004, 2005 and 2006, proceeds of approximately HK\$66.3 million, HK\$98.1 million and HK\$14.4 million, respectively, were utilised as disclosed in the annual report for each of these years. The remaining net proceeds as at 31 December 2006 of approximately HK\$7.4 million was used for the acquisition of additional knitting facilities during the six months ended 30 June 2007 in accordance with the proposed applications set out in the prospectus of the Company dated 14 September 2004.

Disclosures Pursuant to Rules 13.21 of the Listing Rules

In accordance with the requirements of Rule 13.21 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), disclosure is required in respect of the loan agreement of a subsidiary of the Company, which contains covenants requiring performance obligations of the controlling shareholders of the Company. Pursuant to a loan agreement dated 13 April 2007 entered into between the Company as Guarantor, a wholly-owned subsidiary of the Company as the borrower and a syndicate of banks as the lenders for a 4-year term loan facility of HK\$440 million, an event of default would arise if (a) Mr. Tai Chin Chun and Mr. Tai Chin Wen, the ultimate controlling shareholder and substantial shareholder, respectively, of the Company cease to collectively and beneficially (either directly or indirectly) own 51% interests in the Company; or (b) any member of the Group or its management, business or operations is not or ceases to be controlled by both of Mr. Tai Chin Chun and Mr. Tai Chin Wen.

Upon the occurrence of an event of default, the lenders may declare that all or part of the loan outstanding together with accrued interest and all other amounts accrued or outstanding be immediately due and payable; and/or cancel their total commitments immediately.

OTHER INFORMATION

Directors' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2007, the interests and short positions of the Directors in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions in ordinary shares of the Company:

Name	Notes	Capacity and nature of interest	Number of shares	Percentage of the Company's issued share capital
Mr. Tai Chin Chun	1	Through controlled corporation	384,000,000	60%
Mr. Tai Chin Wen	2	Through controlled corporation	96,000,000	15%
Ms. Cheung So Wan	3	Through spouse	384,000,000	60%
Ms. Wong Siu Yuk	4	Through spouse	96,000,000	15%
Mr. Chong Chau Lam		Directly beneficially owned	300,000	0.05%

Long positions in ordinary shares of an associated corporation:

Name of director	Name of associated corporation	Relationship with the Company	Number of shares	Capacity and nature of interest	Percentage of the associated corporation's issued share capital
Mr. Tai Chin Chun	Exceed Standard Limited	Ultimate holding company	1 share of US\$1	Directly beneficially owned	100%

Notes:

1. The shares are held by Exceed Standard Limited (“Exceed Standard”), a company incorporated in the British Virgin Islands (the “BVI”) and beneficially owned by Mr. Tai Chin Chun, the chairman of the Company and an executive Director. Mr. Tai Chin Chun is the younger brother of Mr. Tai Chin Wen and Ms. Cheung So Wan is the spouse of Mr. Tai Chin Chun.
2. The shares are held by Power Strategy Limited (“Power Strategy”), a company incorporated in the BVI and beneficially owned by Mr. Tai Chin Wen.
3. Ms. Cheung So Wan is deemed to be interested in these shares through the interest of her spouse, Mr. Tai Chin Chun under the SFO.
4. Ms. Wong Siu Yuk is deemed to be interested in these shares through the interest of her spouse, Mr. Tai Chin Wen under the SFO.

The interests of the Directors in the share options of the Company are separately disclosed in the paragraph headed “share option scheme” below.

Save as disclosed above, as at 30 June 2007, none of the Directors had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors’ Rights to Acquire Shares or Debentures

Save as disclosed in the share option scheme below, at no time during the Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

Share Option Scheme

Pursuant to the Company's share option scheme, the following share options were outstanding as at 30 June 2007:

Name or category of participant	Number of share options			Date of grant (Note 1)	Exercise period	Exercise price (Note 2)	Price of Company's shares at grant date (Note 3)
	At 1 January 2007	Lapsed during the period	At 30 June 2007				
<i>Directors</i>							
Tai Chin Chun	3,000,000	-	3,000,000	6 October 2004	6 October 2005 to 5 October 2014	HK\$1.28	HK\$1.24
Tai Chin Wen	2,000,000	-	2,000,000	6 October 2004	6 October 2005 to 5 October 2014	HK\$1.28	HK\$1.24
Cheung So Wan	1,000,000	-	1,000,000	6 October 2004	6 October 2005 to 5 October 2014	HK\$1.28	HK\$1.24
Wong Siu Yuk	1,000,000	-	1,000,000	6 October 2004	6 October 2005 to 5 October 2014	HK\$1.28	HK\$1.24
Subtotal	<u>7,000,000</u>	<u>-</u>	<u>7,000,000</u>				
<i>Non-director employees</i>							
In aggregate	<u>14,203,000</u>	<u>(435,000)</u>	<u>13,768,000</u>	6 October 2004	6 October 2005 to 5 October 2014	HK\$1.28	HK\$1.24
<i>Others</i>							
In aggregate	<u>1,260,000</u>	<u>-</u>	<u>1,260,000</u>	6 October 2004	6 October 2005 to 5 October 2014	HK\$1.28	HK\$1.24
Total	<u>22,463,000</u>	<u>(435,000)</u>	<u>22,028,000</u>				

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.
2. The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.
3. The price of the Company's shares disclosed as at the date of grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of grant of the share options.

Substantial Shareholders' Interests in Shares and Underlying Shares

As at 30 June 2007, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in ordinary shares of the Company:

Name	Capacity and nature of interest (Note)	Number of shares	Percentage of the Company's issued share capital
Exceed Standard	Directly beneficially owned	384,000,000	60%
Power Strategy	Directly beneficially owned	96,000,000	15%

Note: The relationship between Exceed Standard and Mr. Tai Chin Chun, as well as that between Power Strategy and Mr. Tai Chin Wen are disclosed under the paragraph headed "Directors' Interests and Short Positions in Shares and Underlying Shares" above.

Saved as disclosed above, as at 30 June 2007, to the best knowledge of the Directors, there was no person, other than the Directors whose interests are set out under the heading "Directors' Interests and Short Positions in Shares and Underlying Shares" above, had an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register pursuant to Section 336 of the SFO.

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.

Sufficiency of Public Float

On 17 July 2007, the Company was made aware that its public float has fallen below the minimum public float requirement of 25% under Rule 8.08 of the Listing Rules. For the purpose of restoring the minimum public float, the controlling shareholder of the Company, namely, Exceed Standard, had on 18 July 2007 disposed 1,400,000 shares in the capital of the Company on the market. As a result of the disposal, 25% of the issued shares of the Company are held in public hands.

Code on Corporate Governance Practices

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2007.

Remuneration Committee and Nomination Committee

The remuneration committee comprises four independent non-executive Directors, namely Ms. Chu Hak Ha, Mimi (Chairman), Mr. Chan Yuk Tong, Jimmy, Mr. Ku Shiu Kuen, Anthony and Mr. Chan Chun Yuen, Lawrence and two executive Directors, namely Mr. Tai Chin Chun and Mr. Tai Chin Wen. Mr. Chan Chun Yuen, Lawrence was appointed as a member of the remuneration committee on 1 July 2007. The remuneration committee is primarily responsible for reviewing and making recommendations to the Board on the remuneration packages of all executive directors and senior management to ensure that such remuneration is reasonable and not excessive.

The nomination committee also comprises four independent non-executive Directors, namely Mr. Ku Shiu Kuen, Anthony (Chairman), Mr. Chan Yuk Tong, Jimmy, Ms. Chu Hak Ha, Mimi and Mr. Chan Chun Yuen, Lawrence and two executive Directors, namely Mr. Tai Chin Chun and Mr. Tai Chin Wen. Mr. Chan Chun Yuen, Lawrence was appointed as a member of the nomination committee on 1 July 2007. The nomination committee is primarily responsible for reviewing and making recommendations to the Board on the selection of board members to ensure that suitable individuals are nominated for filling vacancies on the directorships.

Audit Committee

The audit committee comprises four independent non-executive Directors, namely Mr. Chan Yuk Tong, Jimmy (Chairman), Ms. Chu Hak Ha, Mimi, Mr. Ku Shiu Kuen, Anthony and Mr. Chan Chun Yuen, Lawrence. Mr. Chan Chun Yuen, Lawrence was appointed as a member of the audit committee on 1 July 2007. The audit committee has reviewed with the management the accounting principles and practices adopted by the Group, and discussed internal control and financial reporting matters including the review of the unaudited interim financial statements.

Model Code For Securities Transactions By Directors

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the Directors. Based on specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code and its code of conduct regarding Directors' securities transaction for the six months ended 30 June 2007.

Approval of the Unaudited Interim Financial Statements

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 2007 before recommending them to the Board for approval. The unaudited interim financial statements were approved and authorised for issue by the Board on 4 September 2007.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the period ended 30 June 2007

	Notes	Six months ended 30 June 2007 HK\$'000 (Unaudited)	Six months ended 30 June 2006 HK\$'000 (Unaudited)
REVENUE	3	1,070,513	895,632
Cost of sales		(848,266)	(713,840)
Gross profit		222,247	181,792
Other income	3	9,367	3,771
Selling and distribution costs		(53,512)	(45,467)
Administrative expenses		(80,711)	(64,736)
Other operating income/(expenses), net		(3,822)	8,604
Finance costs		(22,655)	(19,010)
PROFIT BEFORE TAX	4	70,914	64,954
Tax	5	(7,307)	(7,718)
PROFIT FOR THE PERIOD		63,607	57,236
Attributable to:			
Equity holders of the Company		63,667	57,236
Minority interests		(60)	–
		63,607	57,236
Interim dividend	6	Nil	Nil
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	7	9.9 cents	8.9 cents
Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2007

	Notes	30 June 2007 HK\$'000 (Unaudited)	31 December 2006 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	945,367	883,249
Investment properties		–	7,055
Prepaid land lease payments		55,921	48,990
Deferred tax assets		–	41
Total non-current assets		1,001,288	939,335
CURRENT ASSETS			
Inventories		776,137	483,347
Accounts and bills receivable	9	488,700	367,396
Prepayments, deposits and other receivables		14,245	9,405
Equity investments at fair value through profit or loss		1,103	1,382
Due from a minority shareholder	13(b)	128	140
Pledged deposits		–	2,152
Cash and cash equivalents		155,042	193,076
Total current assets		1,435,355	1,056,898
CURRENT LIABILITIES			
Accounts and bills payable	10	596,642	384,657
Accrued liabilities and other payables		56,272	45,802
Tax payable		20,486	17,076
Bank advances for discounted bills	9	65,583	85,796
Interest-bearing bank and other borrowings		393,258	475,720
Total current liabilities		1,132,241	1,009,051
NET CURRENT ASSETS		303,114	47,847
TOTAL ASSETS LESS CURRENT LIABILITIES		1,304,402	987,182
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		460,710	188,447
Total non-current liabilities		460,710	188,447
Net assets		843,692	798,735
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		64,000	64,000
Reserves		772,485	708,818
Proposed final dividend		–	25,600
		836,485	798,418
Minority interests		7,207	317
Total equity		843,692	798,735

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2007

	Attributable to equity holders of the Company										
	Issued capital	Share premium account	Share Option reserve	Capital reserve	Statutory surplus reserve	Exchange fluctuation reserve	Retained profits	Proposed final dividend	Total	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2006 (Audited)	64,000	122,429	5,300	104,804	19,729	-	341,027	19,840	677,129	105	677,234
2005 final dividend	-	-	-	-	-	-	-	(19,840)	(19,840)	-	(19,840)
Profit for the period	-	-	-	-	-	-	57,236	-	57,236	-	57,236
Transfer to reserve	-	-	-	-	1,581	-	(1,581)	-	-	-	-
At 30 June 2006 (Unaudited)	<u>64,000</u>	<u>122,429</u>	<u>5,300</u>	<u>104,804</u>	<u>21,310</u>	<u>-</u>	<u>396,682</u>	<u>-</u>	<u>714,525</u>	<u>105</u>	<u>714,630</u>
At 1 January 2007 (Audited)	64,000	122,429	5,300	104,804	23,204	40,004	413,077	25,600	798,418	317	798,735
Contribution from minority shareholders	-	-	-	-	-	-	-	-	-	6,950	6,950
2006 final dividend	-	-	-	-	-	-	-	(25,600)	(25,600)	-	(25,600)
Profit for the period	-	-	-	-	-	-	63,667	-	63,667	(60)	63,607
Transfer to reserve	-	-	-	-	2,961	-	(2,961)	-	-	-	-
At 30 June 2007 (Unaudited)	<u>64,000</u>	<u>122,429</u>	<u>5,300</u>	<u>104,804</u>	<u>26,165</u>	<u>40,004</u>	<u>473,783</u>	<u>-</u>	<u>836,485</u>	<u>7,207</u>	<u>843,692</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the period ended 30 June 2007

	Six months ended 30 June 2007 HK\$'000 (Unaudited)	Six months ended 30 June 2006 HK\$'000 (Unaudited)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	(108,138)	30,754
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(93,267)	(71,836)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	163,371	(40,485)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(38,034)	(81,567)
Cash and cash equivalents at beginning of period	193,076	171,691
CASH AND CASH EQUIVALENTS AT END OF PERIOD	155,042	90,124
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	155,042	90,124

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 Rules Governing the Listing of Securities (the “Listing Rules”) of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”). 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 financial statements are consistent with those adopted in the preparation of the Group’s annual financial statements for the year ended 31 December 2006 except for the adoption of the following amendment mandatory for periods beginning on or after 1 January 2007:

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The Group has assessed the impact of the adoption of the above new and revised HKFRSs and concluded that there was no significant impact on the Group’s results and financial position.

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 23 (Revised)	Borrowing Costs
HKFRS 8	Operating Segments
HK(IFRIC)-Int 11	HKFRS 2 – Group Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements

The Group expects that the adoption of the pronouncements listed above will not have any significant impact on the Group’s financial statements in the period of initial application.

2. SEGMENT INFORMATION

Segment information is presented by way of the Group's primary segment reporting basis, by geographical segment. No information has been disclosed in respect of the Group's business segments as over 90% of the Group's revenue and assets are related to the production and sale of knitted fabric, dyed yarn and garment products and provision of related subcontracting services.

A geographical segment analysis of the Group's financial results for the period ended 30 June 2007, with comparative figures for the period ended 30 June 2006, is summarized below:

(i) Geographical segments based on the location of customers

	Singapore <i>HK\$'000</i>	Hong Kong <i>HK\$'000</i>	Taiwan <i>HK\$'000</i>	PRC <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Six months ended						
30 June 2007						
(Unaudited)						
Segment revenue:						
Sales to external customers	525,520	158,403	85,483	115,580	185,527	1,070,513
Other income	1,441	2,010	2	158	68	3,679
Total	<u>526,961</u>	<u>160,413</u>	<u>85,485</u>	<u>115,738</u>	<u>185,595</u>	<u>1,074,192</u>
Segment results	<u>92,091</u>	<u>30,388</u>	<u>15,316</u>	<u>20,864</u>	<u>33,306</u>	191,965
Interest and other unallocated income						5,688
Unallocated expenses						(104,084)
Finance costs						(22,655)
Profit before tax						70,914
Tax						(7,307)
Profit for the period						<u>63,607</u>

2. SEGMENT INFORMATION (continued)

(i) Geographical segments based on the location of customers (continued)

	Singapore HK\$'000	Hong Kong HK\$'000	Taiwan HK\$'000	PRC HK\$'000	Others HK\$'000	Consolidated HK\$'000
Six months ended 30 June 2006 (Unaudited)						
Segment revenue:						
Sales to external customers	476,972	152,385	106,911	68,214	91,150	895,632
Other income	240	1,107	1	167	43	1,558
Total	477,212	153,492	106,912	68,381	91,193	897,190
Segment results	92,366	28,151	18,583	12,022	16,043	167,165
Interest and other unallocated income						2,213
Unallocated expenses						(85,414)
Finance costs						(19,010)
Profit before tax						64,954
Tax						(7,718)
Profit for the period						57,236

(ii) Geographical segments based on the location of assets

	Singapore HK\$'000	Hong Kong HK\$'000	PRC HK\$'000	Others HK\$'000	Consolidated HK\$'000
Segment assets					
As at 30 June 2007 (Unaudited)	541	542,693	1,859,625	33,784	2,436,643
As at 31 December 2006 (Audited)	476	437,880	1,534,135	23,742	1,996,233
Capital expenditure					
Six months ended 30 June 2007 (Unaudited)	22	207	91,169	11,190	102,588
Six months ended 30 June 2006 (Unaudited)	-	981	83,944	26,695	111,620

3. REVENUE AND OTHER INCOME

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 provided by the Group. All significant intra-group transactions have been eliminated on consolidation.

An analysis of the revenue and other income is as follows:

	Six months ended 30 June 2007 HK\$'000 (Unaudited)	Six months ended 30 June 2006 HK\$'000 (Unaudited)
Revenue		
Production and sale of knitted fabric, dyed yarn and garment products and provision of related subcontracting services	1,070,513	895,632
Other income		
Fee income from freight handling services	3,679	1,558
Bank interest income	552	549
Gross rental income	301	742
Others	4,835	922
	9,367	3,771
	1,079,880	899,403

4. PROFIT BEFORE TAX

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

	Six months ended 30 June 2007 HK\$'000 (Unaudited)	Six months ended 30 June 2006 HK\$'000 (Unaudited)
Cost of inventories sold and services provided	812,748	715,258
Auditors' remuneration	990	721
Research and development costs	2,056	1,900
Depreciation of items of property, plant and equipment	39,509	34,640
Depreciation of investment properties	–	188
Amortisation of prepaid land lease payments	583	444
Employee benefits expense (including directors' remuneration):		
Wages and salaries	76,325	51,462
Pension scheme contributions	2,048	1,811
	78,373	53,273
Minimum lease payments under operating leases in respect of land and buildings	1,159	653
Loss on disposal of items of property, plant and equipment	321	474
Fair value loss on equity investment at fair value through profit or loss	377	31
Allowance for doubtful debts	–	129
Write back of allowance for doubtful debts	(112)	(12,771)
Foreign exchange differences, net	381	2,912

5. TAX

	Six months ended 30 June 2007 HK\$'000 (Unaudited)	Six months ended 30 June 2006 HK\$'000 (Unaudited)
Current tax – Hong Kong		
Charge for the period	4,325	3,108
Overprovision in respect of prior periods	–	(31)
Current tax – Elsewhere		
Charge for the period	2,941	4,445
Deferred tax charged	41	196
Total tax charge for the period	<u>7,307</u>	<u>7,718</u>

Profits tax in Hong Kong is calculated at 17.5% (six months ended 30 June 2006: 17.5%) on the estimated assessable profits for the Period. Tax in elsewhere is calculated at tax rates prevailing in the respective jurisdictions.

6. DIVIDEND

The Board has resolved not to declare any interim dividend for the Period (six months ended 30 June 2006: Nil).

7. EARNINGS PER SHARE

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\$63,667,000 (six months ended 30 June 2006: HK\$57,236,000) and the weighted average of 640,000,000 (six months ended 30 June 2006: 640,000,000) ordinary shares deemed to have been in issue during the Period.

Diluted earnings per share for the period ended 30 June 2007 and 2006 has not been disclosed, as the share options outstanding during these Periods had an anti-dilutive effect on the basic earnings per share for these Periods.

8. PROPERTY, PLANT AND EQUIPMENT

The changes in the net book value of property, plant and equipment for the six months ended 30 June 2007 are analysed as follows:

	<i>HK\$'000</i>
At 1 January 2007 (Audited)	883,249
Additions/Transfers	95,088
Transfer from investment properties	7,055
Disposals	(516)
Depreciation	<u>(39,509)</u>
At 30 June 2007 (Unaudited)	<u>945,367</u>

As at 30 June 2007, the Group did not obtain title certificates in respect of four factory buildings with net book value of approximately HK\$3.4 million (31 December 2006: HK\$3.7 million). The aforesaid buildings and structures accounted for less than 1% of the Group's total property, plant and equipment. Mr. Tai Chin Chun and Mr. Tai Chin Wen, directors of the Company, together with two major shareholders of the Company (beneficially owned by Mr. Tai Chin Chun and Mr. Tai Chin Wen, respectively), have given joint and several indemnities in favour of the Group in respect of the aforementioned buildings/structures (note 13(c)).

9. ACCOUNTS AND BILLS RECEIVABLE

The Group's trading term with its customers are generally on credit with terms of up to 60 days and are non-interest bearing (except for certain well-established customers having strong financial strength, good repayment history and credit worthiness, where the credit terms are extended to 120 days). Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's accounts and bills receivable relate to a large number of diversified customers, there is no significant concentration of credit risk.

9. ACCOUNTS AND BILLS RECEIVABLE (continued)

An aged analysis of the Group's accounts and bills receivable as at the balance sheet date, based on the invoice date and net of provisions, is as follows:

	30 June 2007 HK\$'000 (Unaudited)	31 December 2006 HK\$'000 (Audited)
Within 30 days	257,043	138,659
31 to 60 days	129,190	100,241
61 to 90 days	77,964	83,166
Over 90 days	24,503	45,330
	488,700	367,396

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 2007, HK\$65,583,000 (31 December 2006: HK\$85,796,000) was discounted to banks in exchange for cash and included as "Bank advances for discounted bills" on the face of the consolidated balance sheet.

10. ACCOUNTS AND BILLS PAYABLE

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

	30 June 2007 HK\$'000 (Unaudited)	31 December 2006 HK\$'000 (Audited)
Within 90 days	497,370	322,382
91 to 180 days	97,517	50,865
181 to 365 days	1,616	11,322
Over 365 days	139	88
	596,642	384,657

The accounts and bills payable are non-interest-bearing and are normally settled on 60 day term. The carrying amounts of the Group's accounts and bills payable approximate to their fair values.

11. CONTINGENT LIABILITIES

- (a) At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	30 June 2007 HK\$'000 (Unaudited)	31 December 2006 HK\$'000 (Audited)
Discounted bills with recourse supported by letters of credit	45,674	103,276

- (b) The Group had a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of HK\$1,460,000 (31 December 2006: HK\$2,059,000) as at 30 June 2007. The contingent liability has arisen because, at the balance sheet date, a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance if their employment is terminated under certain circumstances. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

12. COMMITMENTS

The Group had the following commitments as at the balance sheet date:

Capital commitments

	30 June 2007 HK\$'000 (Unaudited)	31 December 2006 HK\$'000 (Audited)
Contracted but not provided for:		
Purchases of machinery	14,190	6,156
Construction in progress	100,537	15,710
	114,727	21,866

At 30 June 2007, the Group had commitments in respect of capital contributions to (a) wholly-owned subsidiaries established in the PRC, En Ping Kam Hing Textile and Dyeing Co. Ltd. and Guangzhou Kwok Hing Garment Ltd. of US\$53,178,000 (approximately HK\$413,725,000) due on 27 April 2010, HK\$10,000,000 due on 30 Mar 2009, respectively; and (b) a joint venture established in Hong Kong, Kam Wing International Textile Co. Ltd. of HK\$55,500,000 due on 31 March 2008 and its wholly-owned subsidiary established in the PRC, Enging Kam Lap Textile and Dyeing Co. Ltd. of US\$12,000,000 (approximately HK\$93,360,000) due on 8 June 2009, respectively.

13. RELATED PARTY TRANSACTIONS

- (a) The Group had the following material transactions with related parties during the period:

	Six months ended 30 June 2007 HK\$'000 (Unaudited)	Six months ended 30 June 2006 HK\$'000 (Unaudited)
Rental expenses on office premises and a staff quarter paid to Mr. Tai Chin Chun and Mr. Tai Chin Wen	136	90

The Group entered into tenancy agreements with Mr. Tai Chin Chun and Mr. Tai Chin Wen, Directors of the Company, for the rental of office premises and a staff quarter at monthly rentals of totaling HK\$31,000 for terms between seven months to two years, based on the prevailing market rentals.

- (b) The Group had an outstanding amount due from a minority shareholder of HK\$128,000 (31 December 2006: HK\$140,000) as at 30 June 2007. The balance is unsecured, interest-free and has no fixed terms of repayment.
- (c) Each of Mr. Tai Chin Chun and Mr. Tai Chin Wen, Director of the Company, together with two major shareholders of the Company (beneficially owned by Mr. Tai Chin Chun and Mr. Tai Chin Wen, respectively), have given joint and several indemnities in favour of the Group in respect of certain buildings/structures of the Group as detailed in note 8 of the financial statements.
- (d) Compensation of key management personnel of the Group:

	Six months ended 30 June 2007 HK\$'000 (Unaudited)	Six months ended 30 June 2006 HK\$'000 (Unaudited)
Short-term employee benefits	5,693	3,447
Post-employment benefits	42	42
	5,735	3,489

14. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the Board on 4 September 2007.