



**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

The background features a large, curved section of blue fabric with visible folds and shadows, occupying the upper and middle portions of the page. Below this, a grey triangular area contains the text. At the bottom left, there is a close-up image of several spools of white thread.

INTERIM REPORT  
**2011**

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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  
Mr. Wong Wai Kong, Elmen

#### Non-Executive Director

Mr. Lee Cheuk Yin, Dannis

#### Independent Non-Executive Directors

Mr. Chan Yuk Tong, Jimmy  
Ms. Chu Hak Ha, Mimi  
Mr. Ho Gilbert Chi Hang

### Audit Committee

Mr. Chan Yuk Tong, Jimmy (*Chairman*)  
Ms. Chu Hak Ha, Mimi  
Mr. Ho Gilbert Chi Hang

### Company Secretary

Mr. Lei Heong Man, Ben

### Auditors

Ernst & Young  
*Certified Public Accountants*

### Company Website

[www.kamhingintl.com](http://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 in Hong Kong

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

HSBC Trustee (Cayman) Limited  
PO Box 484  
HSBC House  
68 West Bay Road  
Grand Cayman KY1-1106  
Cayman Islands

### 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: 02307  
CUSIP Reference Number: G5213T101

## MANAGEMENT DISCUSSION AND ANALYSIS

The Board of Directors (the "Board") of Kam Hing International Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2011 (the "Period"). The interim financial information has not been audited but has been reviewed by the Audit Committee of the Company.

### 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 installment 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).

## OTHER INFORMATION

### **Disclosures Pursuant to Rules 13.21 of the Rules (the “Listing Rules”) Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”)**

In accordance with the requirements of Rule 13.21 of the Listing Rules, disclosure is required in respect of the loan agreement of the Company, which contains covenants requiring performance obligations of the controlling shareholders of the Company.

- (a) Pursuant to a facility agreement dated 3 May 2010 and entered into between the Company as borrower and China Development Bank Corporation, Hong Kong Branch as lender, a term loan facility in an aggregate sum of US\$12.0 million is made available to the Company repayable in three equal installments on the dates falling 24, 30 and 36 months after the drawdown date. An event of default would arise if Mr. Tai Chin Chun and Mr. Tai Chin Wen together, either cease to remain as the single largest shareholder of the Company or cease to maintain a beneficial shareholding interest (directly or indirectly) of not less than 35% in the issued capital of the Company, the commitments under the loan facility may be cancelled and all amounts outstanding under the loan facility may become immediately due and payable.
  
- (b) Pursuant to a facility agreement dated 12 August 2011 and entered into between the Company and two other subsidiaries of the Company as guarantors, a wholly-owned subsidiary of the Company as the borrower and a syndicate of banks as lenders, a term loan facility of aggregate sum of HK\$690.0 million for a term of three and a half years is made available to the Company repayable in four equal installments on the dates falling 24, 30, 36 and 42 months after the date of the facility agreement. An event of default would arise either of or taken together, Mr. Tai Chin Chun and Mr. Tai Chin Wen either: (i) do not or cease to own, directly or indirectly, at least 40% of the beneficial interest in the Company, carrying at least 40% of the voting right, free from any security interest, (ii) are not or cease to be the single largest shareholder of the Company, (iii) do not or cease to have management control of the Group or (iv) do not or cease to appoint or nominate the majority of the Board or is not the chairman of the Company, the commitments under the loan facility may be cancelled and all amounts outstanding under the loan facility may become immediately due and payable.

## Changes of Directors' Information under Rule 13.51B(1) of the Listing Rules

Below are the changes of directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the 2010 Annual Report:

Mr. Chan Yuk Tong, Jimmy, an independent non-executive director and audit committee's chairman of the Company, has resigned as a non-executive director of Vitop Bioenergy Holdings Limited with effect from 24 May 2011.

## Directors' Interest And Short Positions in Shares and Underlying Shares

As at 30 June 2011, the interests and short positions of the Directors in the share capital 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 and underlying shares of the Company:

Name of director	Notes	Capacity and nature of interest			Total Interest (number of shares)	Approximate percentage of the Company's issued share capital (%)
		Beneficial owner (number of shares)	Interest of spouse (number of shares)	Interest in controlled corporation (number of shares)		
Mr. Tai Chin Chun	1	3,000,000	1,000,000	332,600,000	336,600,000	38.69
Mr. Tai Chin Wen	2	2,000,000	1,000,000	96,000,000	99,000,000	11.38
Ms. Cheung So Wan	3	1,000,000	335,600,000	-	336,600,000	38.69
Ms. Wong Siu Yuk	4	1,000,000	98,000,000	-	99,000,000	11.38
Mr. Chong Chau Lam		300,000	-	-	300,000	0.03

Notes:

1. 332,600,000 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 and an executive director of the Company. As Ms. Cheung So Wan is his spouse, Mr. Tai Chin Chun is deemed to be interested in the 1,000,000 shares held by Ms. Cheung So Wan under the SFO.
2. 96,000,000 shares are held by Power Strategy Limited (“Power Strategy”), a company incorporated in the BVI and beneficially owned by Mr. Tai Chin Wen. As Ms. Wong Siu Yuk is his spouse, Mr. Tai Chin Wen is deemed to be interested in the 1,000,000 shares held by Ms. Wong Siu Yuk under the SFO.
3. Ms. Cheung So Wan is deemed to be interested in the shares held by her spouse, Mr. Tai Chin Chun, under the SFO.
4. Ms. Wong Siu Yuk is deemed to be interested in the shares held by her spouse, Mr. Tai Chin Wen, under the SFO.

Save as disclosed above, as at 30 June 2011, none of the directors had, or were deemed to have, 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.

## Share Option Scheme

The Company operates a share option scheme (the “Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the Scheme include the Company’s directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, any consultant, advisor, manager or officer who provides research, development, other technological support or services to the Group, the Company’s shareholders, and any non-controlling shareholder of the Company’s subsidiaries. The Scheme became effective on 25 August 2004 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The Company has sought the approval by its shareholders in the annual general meeting of the Company held on 26 May 2008 for refreshing its scheme mandate limit such that the maximum number of shares which may be allotted and issued upon the exercise of the share options to be granted under the Scheme is 64,458,300 shares, representing 10% of the share capital of the Company as at the date of refreshment of the scheme mandate limit. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of offer of the share options or the expiry date of the scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the nominal value of the Company's shares; (ii) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (iii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Pursuant to the Company's share option scheme, the following share options were outstanding as at 30 June 2011:

Name or category of participant	Number of share options					At 30 June 2011	Date of grant of share options	Exercise period of share options	Exercise price of share options HK\$ per share (Note 2)	Price of the Company's shares at the grant date of options HK\$ per share (Note 3)	Weighted average closing price immediately before the exercise date HK\$ per share
	At 1 January 2011	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period						
<b>Directors</b>											
Mr. Wong Wai Kong, Elmen	1,000,000	-	-	-	(1,000,000)	-	6 October 2004	6 October 2005 to 5 October 2014	1.28	1.24	N/A
Subtotal	1,000,000	-	-	-	(1,000,000)	-					
<b>Non-director employees</b>											
In aggregate	1,151,000	-	-	-	(91,000)	1,060,000	6 October 2004	6 October 2005 to 5 October 2014	1.28	1.24	N/A
	4,300,000	-	(200,000)	-	(4,100,000)	-	3 July 2009	3 July 2010 to 2 January 2011	0.66	0.65	1.29
	5,451,000	-	(200,000)	-	(4,191,000)	1,060,000					
<b>Others</b>											
In aggregate	220,000	-	-	-	-	220,000	6 October 2004	6 October 2005 to 5 October 2014	1.28	1.24	N/A
	300,000	-	-	-	(300,000)	-	3 July 2009	3 July 2010 to 2 January 2011	0.66	0.65	N/A
	520,000	-	-	-	(300,000)	220,000					
Total	6,971,000	-	(200,000)	-	(5,491,000)	1,280,000					

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 at the grant date of options is the closing price of the Company's shares as quoted by the Stock Exchange on the trading day or the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately prior to the date of offer of the grant of the options.

### Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares

So far as is known to the directors and the chief executive of the Company, as at 30 June 2011, the following persons (not being directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long positions:

<b>Name</b>	<b>Capacity and nature of interest</b> (Note)	<b>Number of ordinary share held</b>	<b>Percentage of the Company's issued share capital</b>
Exceed Standard	Beneficial owner	332,600,000	38.23%
Power Strategy	Beneficial owner	96,000,000	11.04%

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 in the notes under the section headed "Directors' Interests and Short Positions in Shares and Underlying Shares" above.

Saved as disclosed above, as at 30 June 2011, to the best knowledge of the Directors, no person, other than the directors and chief executive of the Company, whose interests are set out under the sections headed "Directors' Interests and Short Positions in Shares and Underlying Shares" and "Share Option Scheme" above, had or was deemed to have 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.

## **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.

## **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 code for securities transactions by Directors of the Company. Having made specific enquiry of all Directors, the Directors have confirmed that they have complied with the required standard set out in the Model Code for the six months ended 30 June 2011.

## **Approval of the Unaudited Interim Financial Statements**

The unaudited interim financial statements were approved and authorised for issue by the Board on 23 August 2011.

## 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)
<b>REVENUE</b>	2, 3	<b>1,917,036</b>	1,505,557
Cost of sales		<b>(1,585,794)</b>	(1,257,539)
Gross profit		<b>331,242</b>	248,018
Other income and gains, net	3	<b>9,789</b>	14,720
Selling and distribution costs		<b>(56,472)</b>	(56,599)
Administrative expenses		<b>(154,349)</b>	(146,091)
Other operating income/(expenses), net		<b>(4,153)</b>	1,117
Finance costs		<b>(18,491)</b>	(9,259)
Gain on disposal of associates	13	<b>13,186</b>	–
Share of profits less losses of a jointly-controlled entity		<b>(2,474)</b>	1,386
<b>PROFIT BEFORE TAX</b>	4	<b>118,278</b>	53,292
Income tax expense	5	<b>(16,245)</b>	(4,702)
<b>PROFIT FOR THE PERIOD</b>		<b>102,033</b>	48,590
Attributable to:			
Ordinary equity holders of the Company		<b>95,352</b>	49,453
Non-controlling interests		<b>6,681</b>	(863)
		<b>102,033</b>	48,590
Interim dividend	6	<b>Nil</b>	Nil
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			
Basic	7	<b>HK11.0 cents</b>	HK6.2 cents
Diluted	7	<b>HK11.0 cents</b>	HK5.9 cents

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	<b>Six months ended 30 June 2011 HK\$'000 (Unaudited)</b>	Six months ended 30 June 2010 HK\$'000 (Unaudited)
<b>PROFIT FOR THE PERIOD</b>	<b>102,033</b>	48,590
<b>OTHER COMPREHENSIVE INCOME</b>		
Exchange differences on translation of foreign operations	<b>167</b>	–
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>102,200</b>	48,590
Attributable to:		
Ordinary equity holders of the Company	<b>95,519</b>	49,453
Non-controlling interests	<b>6,681</b>	(863)
	<b>102,200</b>	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)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	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
<b>CURRENT ASSETS</b>			
Inventories		1,080,847	988,548
Accounts and bills receivable	9	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

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2011

	Notes	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000 (Audited)
<b>CURRENT LIABILITIES</b>			
Accounts and bills payable	10	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
<b>NET CURRENT ASSETS</b>		<b>233,350</b>	107,612
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,899,562</b>	1,951,715
<b>NON-CURRENT LIABILITIES</b>			
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
<b>EQUITY</b>			
<b>Equity attributable to ordinary equity holders of the Company</b>			
Issued capital		86,992	86,972
Reserves		1,626,265	1,554,122
		1,713,257	1,641,094
<b>Non-controlling interests</b>		<b>52,929</b>	46,844
Total equity		1,766,186	1,687,938

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Attributable to ordinary equity holders of the Company							Non-controlling interests	Total equity	
	Issued capital	Share premium account	Share option reserve	Capital reserve	Statutory surplus reserve	Exchange fluctuation reserve	Retained profits			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2010 (Audited)	77,349	328,579	8,595	104,804	32,138	226,714	669,073	1,447,252	40,345	1,487,597
Total comprehensive income for the period	-	-	-	-	-	-	49,453	49,453	(863)	48,590
Final 2009 dividend declared	-	-	-	-	-	-	(20,277)	(20,277)	-	(20,277)
Issue of shares	3,003	66,036	-	-	-	-	-	69,039	-	69,039
Share issue expenses	-	(3,795)	-	-	-	-	-	(3,795)	-	(3,795)
Transfer to share premium account upon exercise of share options	-	7	(7)	-	-	-	-	-	-	-
Equity-settled share option arrangements	-	-	6,606	-	-	-	-	6,606	-	6,606
At 30 June 2010 (Unaudited)	80,352	390,827	15,194	104,804	32,138	226,714	698,249	1,548,278	39,482	1,587,760
At 1 January 2011 (Audited)	86,972	445,952	1,480	104,804	33,636	224,279	743,971	1,641,094	46,844	1,687,938
Profit for the period	-	-	-	-	-	-	95,352	95,352	6,681	102,033
Other comprehensive income for the period:										
Exchange difference on translation of foreign operations	-	-	-	-	-	167	-	167	-	167
Total comprehensive income for the period	-	-	-	-	-	167	95,352	95,519	6,681	102,200
Final 2010 dividend declared	-	-	-	-	-	-	(23,488)	(23,488)	-	(23,488)
Dividend paid to a non-controlling shareholder	-	-	-	-	-	-	-	-	(596)	(596)
Issue of shares	20	112	-	-	-	-	-	132	-	132
Transfer to share premium account upon exercise of share options	-	41	(41)	-	-	-	-	-	-	-
Transfer to statutory surplus reserve	-	-	-	-	621	-	(621)	-	-	-
Transfer to retained profits	-	-	(1,149)	-	-	-	1,149	-	-	-
At 30 June 2011 (Unaudited)	86,992	446,105	290	104,804	34,257	224,446	816,363	1,713,257	52,929	1,766,186

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS***For the six months 30 June 2011*

	<b>Six months ended 30 June 2011 HK\$'000 (Unaudited)</b>	Six months ended 30 June 2010 HK\$'000 (Unaudited)
NET CASH FLOW USED IN OPERATING ACTIVITIES	<b>(150,841)</b>	(75,382)
NET CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES	<b>79,220</b>	(146,974)
NET CASH FLOW FROM FINANCING ACTIVITIES	<b>274,779</b>	183,090
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<b>203,158</b>	(39,266)
Cash and cash equivalents at beginning of period	<b>252,355</b>	390,821
Effect of foreign exchange rate changes, net	<b>160</b>	–
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<b>455,673</b>	351,555
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<b>455,673</b>	351,555

## 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") 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 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters</i>
HKAS 24 (Revised)	<i>Related Party Disclosures</i>
HKAS 32 Amendment	Amendment to HKAS 32 <i>Financial Instruments: Presentation – Classification of Rights Issues</i>
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 <i>Prepayments of a Minimum Funding Requirement</i>
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>
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.



## 1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (continued)

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

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2011

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2012

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>4</sup> 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.

## 2. OPERATING SEGMENT INFORMATION (continued)

	Fabric HK\$'000	Garment HK\$'000	Others HK\$'000	Total HK\$'000
<b>Six months ended 30 June 2011 (Unaudited)</b>				
<b>Segment revenue:</b>				
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)
<b>Total revenue</b>				<b>1,917,036</b>
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)
<b>Profit before tax</b>	<b>104,800</b>	<b>13,381</b>	<b>97</b>	<b>118,278</b>
Income tax expense	(15,345)	(898)	(2)	(16,245)
<b>Profit for the period</b>	<b>89,455</b>	<b>12,483</b>	<b>95</b>	<b>102,033</b>
<b>As at 30 June 2011 (Unaudited)</b>				
<b>Assets and liabilities</b>				
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
<b>Other segment information:</b>				
<b>Six months ended 30 June 2011 (Unaudited)</b>				
Depreciation and amortisation	101,010	2,400	6	103,416
Capital expenditure	77,728	5,519	–	83,247

**2. OPERATING SEGMENT INFORMATION** (continued)

	Fabric HK\$'000	Garment HK\$'000	Others HK\$'000	Total HK\$'000
<b>Six months ended 30 June 2010</b>				
<b>(Unaudited)</b>				
<b>Segment revenue:</b>				
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)
<b>Total revenue</b>				<b>1,505,557</b>
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
<b>Profit/(loss) before tax</b>	<b>45,329</b>	<b>8,130</b>	<b>(167)</b>	<b>53,292</b>
Income tax expense	(4,702)	–	–	(4,702)
<b>Profit/(loss) for the period</b>	<b>40,627</b>	<b>8,130</b>	<b>(167)</b>	<b>48,590</b>
<b>As at 31 December 2010</b>				
<b>(Audited)</b>				
<b>Assets and liabilities</b>				
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
<b>Total assets</b>	<b>3,493,744</b>	<b>122,951</b>	<b>210,514</b>	<b>3,827,209</b>
Segment liabilities	2,087,326	36,973	14,288	2,138,587
Deferred tax liabilities	684	–	–	684
<b>Total liabilities</b>	<b>2,088,010</b>	<b>36,973</b>	<b>14,288</b>	<b>2,139,271</b>
<b>Other segment information:</b>				
<b>Six months ended 30 June 2010</b>				
<b>(Unaudited)</b>				
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.

## 2. OPERATING SEGMENT INFORMATION (continued)

### Geographical information

#### (a) Revenue from external customers

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

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

#### (b) Non-current assets

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

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

#### 4. PROFIT BEFORE TAX

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

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

## 5. INCOME TAX

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



## 7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (continued)

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:

	<b>Six months ended 30 June 2011 HK\$'000 (Unaudited)</b>	Six months ended 30 June 2010 HK\$'000 (Unaudited)
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the Company	<b>95,352</b>	49,453
<b>Number of shares</b>		
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the Period used in the basic earnings per share calculation	<b>869,916,790</b>	799,539,110
Effect of dilution – weighted average number of ordinary shares: Share options	<b>21,578</b>	45,185,396
	<b>869,938,368</b>	844,724,506

## 8. PROPERTY, PLANT AND EQUIPMENT

The changes in the net book value of property, plant and equipment for the six months ended 30 June 2011 are analysed as follows:

	HK\$'000
At 1 January 2011 (Audited)	1,512,328
Additions/Transfers	83,247
Depreciation	(102,667)
Exchange realignment	7
	<hr/>
At 30 June 2011 (Unaudited)	1,492,915

As at 30 June 2011, the Group was in the process of applying the building ownership certificates in respect of certain self-used properties with net book value of HK\$13.0 million (31 December 2010: HK\$13.4 million) and HK\$94.6 million (31 December 2010: HK\$96.0 million) situated in Panyu, the PRC and En Ping, the PRC, respectively. The Company's directors confirmed that, as the Group has properly obtained the land use right certificates in respect of the land on which the aforementioned self-used properties are located, there is no legal barrier or otherwise for the Group to obtain the building ownership certificates from the relevant Mainland China authority.

## 9. 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.

**9. ACCOUNTS AND BILLS RECEIVABLE** (continued)

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:

	<b>30 June 2011 HK\$'000 (Unaudited)</b>	31 December 2010 HK\$'000 (Audited)
Within 1 month	<b>222,477</b>	307,266
1 to 2 months	<b>138,573</b>	174,662
2 to 3 months	<b>143,389</b>	57,100
Over 3 months	<b>59,769</b>	31,229
	<b>564,208</b>	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.

**10. 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:

	<b>30 June 2011 HK\$'000 (Unaudited)</b>	31 December 2010 HK\$'000 (Audited)
Within 3 months	<b>463,827</b>	576,934
3 to 6 months	<b>75,169</b>	170,730
6 to 12 months	<b>4,516</b>	2,365
Over 1 year	<b>212</b>	4,003
	<b>543,724</b>	754,032

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

## 11. COMMITMENTS

The Group had the following commitments as at the end of the reporting period:

### Capital commitments

	<b>30 June 2011 HK\$'000 (Unaudited)</b>	31 December 2010 HK\$'000 (Audited)
Contracted but not provided for:		
Purchases of machinery	<b>13,568</b>	23,807
Construction in progress	<b>17,509</b>	17,306
	<b>31,077</b>	41,113

The Group had outstanding commitments amounted to HK\$97,251,000 (31 December 2010: HK\$295,862,000) as at the end of the reporting period in respect of irrevocable letters of credit.

## 12. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the Period:

	Notes	Six months ended 30 June 2011 HK\$'000 (Unaudited)	Six months ended 30 June 2010 HK\$'000 (Unaudited)
Rental expenses on office premises and a staff quarter paid to Tai Chin Chun and Tai Chin Wen	(i)	249	216
Rental expenses on staff quarters paid to Cheung So Wan and Wong Siu Yuk	(ii)	106	106
Rental expenses on an office premise and car parks paid to Chin Tai Wing	(iii)	131	131
Sales of raw materials to a jointly-controlled entity	(iv)	20,977	35,583
Purchases of yarns from a jointly-controlled entity	(v)	63,919	46,683

**12. RELATED PARTY TRANSACTIONS** (continued)

## (a) (continued)

Notes:

- (i) 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 HK\$32,500 and HK\$9,000 for a term of one year and ten months and one year, respectively, based on the terms mutually agreed by both parties.
  - (ii) The Group entered into tenancy agreements with Ms. Cheung So Wan and Ms. Wong Siu Yuk, directors of the Company, for staff quarters at monthly rentals of approximately HK\$18,000 for a term of one year, based on the terms mutually agreed by both parties.
  - (iii) The Group entered into tenancy agreements with Mr. Chin Tai Wing, a key management personnel of the Group, for the rental of an office premise and two car parks at monthly rentals of approximately HK\$22,000 for a term of three years on 30 December 2009, based on the then prevailing market rentals.
  - (iv) The sales of raw materials to the jointly-controlled entity was determined based on the terms mutually agreed by both parties.
  - (v) The cost of purchases of yarns from the jointly-controlled entity was determined based on the terms mutually agreed by both parties.
- (b) The Group is still in the process of applying for the land use planning for construction work permit, construction project and planning permit, commencement of construction works permit in respect of a six-storey factory building, with a net book value of approximately HK\$3.2 million (31 December 2010: HK\$3.3 million) as at 30 June 2011.

Each of Mr. Tai Chin Chun and Mr. Tai Chin Wen, directors of the Company, together with their respective spouses, who are also deemed as the shareholders of the Company under the Securities and Futures Ordinance, have given joint and several indemnities in favour of the Group in respect of aforementioned buildings/structures.

## (c) Outstanding balances with related parties:

- (i) As disclosed in the condensed consolidated statement of financial position, the Group had an outstanding loan from a non-controlling shareholder of HK\$12,000,000 (31 December 2010: HK\$12,000,000) as at the end of the reporting period. The loan is unsecured, interest-free and repayable on 31 January 2012 (31 December 2010: repayable on 31 January 2012).
- (ii) Details of the Group's balances with its jointly-controlled entity and associates as at the end of the reporting period are unsecured, interest-free and have no fixed terms of repayment.

**12. RELATED PARTY TRANSACTIONS** (continued)

- (d) Compensation of key management personnel of the Group:

	<b>Six months ended 30 June 2011 HK\$'000 (Unaudited)</b>	Six months ended 30 June 2010 HK\$'000 (Unaudited)
Short-term employee benefits	<b>8,643</b>	8,512
Post-employment benefits	<b>36</b>	52
	<b>8,679</b>	8,564

- (e) The Group's non-controlling shareholder has given counter-indemnity up to HK\$13,200,000 (31 December 2010: up to HK\$36,200,000) in favour of the Company in respect of the corporate guarantee up to HK\$33,000,000 (31 December 2010: up to HK\$90,500,000) executed by Company given to banks in connection with facilities granted to a subsidiary of the Company.

**13. DISPOSAL OF INTERESTS IN ASSOCIATES**

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 the associates and diluted the 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.

**14. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved and authorised for issue by the Board on 23 August 2011.