Interim Report 2010

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

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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

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
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68 West Bay Road
Grand Cayman KY1-1106
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
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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 consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2010 (the "Period"). The interim financial information has not been audited but has been reviewed by the Audit Committee (the "Audit Committee") of the Company.

BUSINESS REVIEW

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

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

Since 2009, the overall textile industry has been overwhelmed by cotton production shortages and export quotas applied to countries such as India and Pakistan, thus material costs were inevitably affected. However, due to our careful cash flow management, the Group was able to regulate operating contingencies by purchasing cotton yarn beforehand at pre-determined prices thereby "locking in" cotton costs.

Furthermore, the Group minimized pressure on our margins by shifting part of the increased material costs to customers. The proactive strategies were beneficial as the motives helped neutralize the impact of rising raw material costs and maintain stable profit margin.

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

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

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

MAJOR DEVELOPMENTS

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

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

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

PROSPECTS

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

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

FINANCIAL REVIEW

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

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

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

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

Liquidity, financial resources and capital structure

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

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

As at 30 June 2010, the Group's long-term loans amounted to approximately HK$215.8 million (31 December 2009: approximately HK$156.9 million), comprising interest-bearing bank and other borrowings of approximately HK$180.4 million (31 December 2009: approximately HK$132.9 million), long-term finance lease payable of approximately HK$23.4 million (31 December 2009: approximately HK$24.0 million), a loan from a minority shareholder of approximately HK$12.0 million (31 December 2009: Nil). The increase in long-term loan was mainly due to the additional long term loan borrowing of USD12.0 million for operational fund during the Period.

Exposure to fluctuation in foreign exchange and interest rate

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

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

Charge on the Group's assets

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

Capital expenditure

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

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

Contingent liabilities

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

Material Acquisition and Disposal

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

HUMAN RESOURCES

As at 30 June 2010, the total number of employees of the Group was approximately 5,500 (31 December 2009: 5,100) in the PRC, 2,680 (31 December 2009: 4,650) in Madagascar, Africa, 158 (31 December 2009: 160) in Hong Kong, Macau, Singapore and Korea. Salaries of employees are maintained at competitive levels while bonuses are granted on a discretionary basis. The Group also participates in various defined contribution plans and insurance schemes in compliance with its statutory obligations under the laws and regulations of various locations worldwide.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the Period (six months ended 30 June 2009: Nil).

OTHER INFORMATION

DISCLOSURES PURSUANT TO RULE 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 which contains covenants requiring specific performance obligations of the controlling shareholders of the Company.

(a) 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 four-year term loan facility of HK$440 million, an event of default would arise if (i) Mr. Tai Chin Chun and Mr. Tai Chin Wen, the ultimate controlling shareholder and substantial shareholder, respectively, cease to collectively and beneficially (either directly or indirectly) own 51% of the voting share capital in the Company; or (ii) 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 be immediately due and payable; and/or the facility under the loan agreement shall immediately be cancelled.

(b) 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 USD12.0 million is made available to the Company repayable in three equal instalments 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 share 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.

DISCLOSURE PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Since the publication of the latest annual report of the Company, Mr. Chan Yuk Tong, Jimmy was appointed as an independent non-executive director of Great Wall Motor Company Limited (Stock Code: 2333) and Trauson Holdings Company Limited ("Trauson") (Stock Code: 325) on 18 May 2010 and 10 June 2010, respectively, whose shares of both companies are listed on the Stock Exchange. The shares of Trauson have been listed on the Stock Exchange since 29 June 2010.

Saved as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2010, the following Directors and chief executives had or were deemed to have interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong (the "SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in the Listing Rules:

Long positions in ordinary shares of the Company:

Name of director	Notes	**Capacity and nature of interest**	**Number of shares**	**Approximate percentage of the Company's issued share capital**
Mr. Tai Chin Chun	1	Through controlled corporation	332,600,000	41.39%
Mr. Tai Chin Wen	2	Through controlled corporation	96,000,000	11.95%
Ms. Cheung So Wan	3	Through spouse	332,600,000	41.39%
Ms. Wong Siu Yuk	4	Through spouse	96,000,000	11.95%
Mr. Chong Chau Lam		Directly beneficially owned	300,000	0.04%

Long positions in share options of the Company:

Name of director	**Number of options directly beneficially owned**
Mr. Tai Chin Chun	3,000,000
Mr. Tai Chin Wen	2,000,000
Ms. Cheung So Wan	1,000,000
Ms. Wong Siu Yuk	1,000,000
Mr. Wong Wai Kong, Elmen	1,000,000
	8,000,000

Long positions in shares of an associated corporation:

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

Notes:

1. The shares are held by 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. 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.

Save as disclosed above, as at 30 June 2010, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be 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 minority 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 at the annual general meeting of the Company held on 8 June 2010 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 80,351,900 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 Scheme, the following share options were outstanding as at 30 June 2010:

Name or category of participant	Number of share options: At 1 January 2010	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	At 30 June 2010	Date of grant share option (Note 1)	Exercise period of share option	Exercise price of share options (Note 2)	Price of the Company's shares at the grant date of options (Note 3)
Directors										
Mr. 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
Mr. 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
Ms. 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
Ms. 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
Mr. Wong Wai Kong, Elmen	1,000,000	–	–	–	–	1,000,000	6 October 2004	6 October 2005 to 5 October 2014	HK$1.28	HK$1.24
Subtotal	8,000,000	–	–	–	–	8,000,000				
Non-director employees										
In aggregate	1,181,000	–	(30,000)	–	–	1,151,000	6 October 2004	6 October 2005 to 5 October 2014	HK$1.28	HK$1.24
	36,900,000	–	–	–	–	36,900,000	3 July 2009	3 July 2010 to 2 January 2011	HK$0.66	HK$0.65
	38,081,000	–	(30,000)	–	–	38,051,000				
Others										
In aggregate	220,000	–	–	–	–	220,000	6 October 2004	6 October 2005 to 5 October 2014	HK$1.28	HK$1.24
	26,900,000	–	–	–	–	26,900,000	3 July 2009	3 July 2010 to 2 January 2011	HK$0.66	HK$0.65
	27,120,000	–	–	–	–	27,120,000				
Total	73,201,000	–	(30,000)	–	–	73,171,000				

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 on 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 2010, 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:

Name	**Capacity and nature of interest** (Note)	**Number of ordinary share held**	**Percentage of the Company's issued share capital**
Exceed Standard	Directly beneficially owned	332,600,000	41.39%
Power Strategy	Directly beneficially owned	96,000,000	11.95%

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.

The details of the share options outstanding during the Period are separately disclosed in the section "Share Option Scheme" above.

Save as disclosed above, as at 30 June 2010, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or were deemed to have, interests or short positions in the Shares or underlying Shares 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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Period.

CORPORATE GOVERNANCE

The Company is committed to maintaining good corporate governance practices. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth and enhancing shareholders' value. The Company has applied the principles and complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the Period.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely Mr. Chan Yuk Tong, Jimmy (Chairman), Ms. Chu Hak Ha, Mimi and Mr. Ho Gilbert Chi Hang. The Audit Committee is primarily responsible for reviewing and supervising the financial reporting and the internal control of the Group. The Audit Committee has discussed with management the accounting policies adopted by the Group and reviewed the unaudited interim financial statements of the Group for the six months ended 30 June 2010 before recommending them to the Board for approval.

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. 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 and its code of conduct regarding Directors' securities transaction for the six months ended 30 June 2010.

APPROVAL OF THE UNAUDITED INTERIM FINANCIAL STATEMENTS

The unaudited interim financial statements were approved and authorised for issue by the Board on 24 August 2010.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2010

	Notes	Six months ended 30 June 2010 HK$'000 (Unaudited)	Six months ended 30 June 2009 HK$'000 (Unaudited)
REVENUE	2, 3	**1,505,557**	1,235,526
Cost of sales		**(1,257,539)**	(1,017,410)
Gross profit		**248,018**	218,116
Other income and gains, net	3	**14,283**	9,192
Selling and distribution costs		**(56,599)**	(51,848)
Administrative expenses		**(146,091)**	(119,103)
Other operating income, net		**1,117**	3,480
Finance income		**437**	90
Finance costs		**(9,259)**	(9,450)
Share of profit less losses of a jointly-controlled entity		**1,386**	(184)
PROFIT BEFORE TAX	4	**53,292**	50,293
Income tax expense	5	**(4,702)**	(5,160)
PROFIT FOR THE PERIOD		**48,590**	45,133
Attributable to:			
Ordinary equity holders of the Company		**49,453**	46,260
Non-controlling interests		**(863)**	(1,127)
		48,590	45,133
Interim dividend	6	**Nil**	Nil
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	7	**HK6.2 cents**	HK7.2 cents
Diluted	7	**HK5.9 cents**	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

	Notes	**30 June 2010 HK$'000 (Unaudited)**	31 December 2009 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	**1,493,225**	1,444,534
Prepaid land lease payments		**62,345**	63,096
Intangible assets		**2,384**	2,580
Interest in a jointly-controlled entity		**36,971**	27,416
Interests in associates		**300**	300
Deposits paid		**21,399**	21,399
Total non-current assets		**1,616,624**	1,559,325
CURRENT ASSETS			
Inventories		**852,487**	520,992
Accounts and bills receivable	9	**458,564**	384,711
Prepayments, deposits and other receivables		**32,289**	31,090
Equity investments at fair value through profit or loss		**383**	573
Derivative financial instruments		**2,021**	2,314
Due from a jointly-controlled entity		**38,000**	6,885
Due from an associate		**96,697**	3,287
Tax recoverable		**–**	45
Pledged deposits		**40,467**	40,382
Cash and cash equivalents		**351,555**	390,821
Total current assets		**1,872,463**	1,381,100
CURRENT LIABILITIES			
Accounts and bills payable	10	**777,046**	499,568
Accrued liabilities and other payables		**114,368**	83,992
Derivative financial instruments		**12,437**	15,436
Loan from a minority shareholder		**–**	8,000
Tax payable		**27,199**	26,272
Bank advances for discounted bills		**12,633**	–
Interest-bearing bank and other borrowings		**741,317**	662,159
Total current liabilities		**1,685,000**	1,295,427
NET CURRENT ASSETS		**187,463**	85,673
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,804,087**	1,644,998

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2010

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

	Attributable to ordinary equity holders of the Company									
	Issued capital HK$'000	Share premium account HK$'000	Share option reserve HK$'000	Capital reserve HK$'000	Statutory surplus reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2009 (Audited)	64,458	128,877	21,237	104,804	30,506	228,069	570,168	1,148,119	43,305	1,191,424
Total comprehensive income for the period	–	–	–	–	–	–	46,260	46,260	(1,127)	45,133
Transfer to statutory surplus reserve	–	–	–	–	1,631	–	(1,631)	–	–	–
Transfer to retained profits	–	–	(17,422)	–	–	–	17,422	–	–	–
At 30 June 2009 (Unaudited)	64,458	128,877	3,815	104,804	32,137	228,069	632,219	1,194,379	42,178	1,236,557
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 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**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months 30 June 2010

	Six months ended 30 June 2010 HK$'000 (Unaudited)	Six months ended 30 June 2009 HK$'000 (Unaudited)
NET CASH (OUTFLOWS)/INFLOWS FROM OPERATING ACTIVITIES	**(75,382)**	242,388
NET CASH OUTFLOWS FROM INVESTING ACTIVITIES	**(146,974)**	(76,268)
NET CASH INFLOWS/(OUTFLOWS) FROM FINANCING ACTIVITIES	**183,090**	(135,436)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(39,266)**	30,684
Cash and cash equivalents at beginning of period	**390,821**	137,539
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**351,555**	168,223
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**351,555**	168,223

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 2009 except the impact for the adoption of the following amendment mandatory for periods beginning on or after 1 January 2010.

In the current period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by HKICPA which are effective for the Group's financial year beginning on 1 January 2010,

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

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

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (continued)

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

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

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

The Group has not early applied the following new and revised HKFRSs relevant to the Group's financial statements, that have been issued but not yet effective in the period covered by these interim financial statements:

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

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

2. OPERATING SEGMENT INFORMATION

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

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

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

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

2. OPERATING SEGMENT INFORMATION (continued)

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax.

Inter-segment revenue and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

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

2. OPERATING SEGMENT INFORMATION (continued)

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

2. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

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

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

(b) Non-current assets

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

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

Information about a major customer

Revenue of approximately HK$183.6 million (six months ended 30 June 2009: HK$173.3 million) was derived from sales by the fabric products segment and subcontracting services rendered by the garment products segment to a single customer, including sales to a group of entities which are known to be under common control with that customer.

3. REVENUE, OTHER INCOME AND GAINS, NET

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and services rendered by the Group.

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

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

4. PROFIT BEFORE TAX

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

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

5. INCOME TAX EXPENSE

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

Hong Kong profits tax has been provided on the estimated assessable profits arising in Hong Kong at the rate of 16.5% (six months ended 30 June 2009: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

6. DIVIDEND

The Board has resolved not to declare any interim dividend for the Period (six months ended 30 June 2009: Nil).

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

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

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

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

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

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

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

8. PROPERTY, PLANT AND EQUIPMENT

The changes in the net book value of property, plant and equipment for the six months ended 30 June 2010 are analysed as follows:

	HK$'000
At 1 January 2010 (Audited)	1,444,534
Additions/Transfers	139,353
Disposals	(106)
Depreciation	(90,556)
At 30 June 2010 (Unaudited)	1,493,225

As at 30 June 2010, 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$13.8 million (31 December 2009: HK$14.2 million) and HK$110.8 million (31 December 2009: HK$92.0 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 up to 2 months and are non-interest-bearing (except for certain well-established customers with strong financial strength, good repayment history and credit worthiness, where the credit term is extended to 4 months). The Group has exercised strict control over its outstanding receivable and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's accounts and bills receivable relates to a large number of diversified customers, there is no significant concentration of credit risk.

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

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

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

Included in the above accounts and bills receivable as at 30 June 2010, amounts totaling HK$12.6 million (31 December 2009: Nil) were discounted to banks in exchange for cash and included as "Bank advances for discounted bills" on the face of the condensed consolidated statement of financial position.

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:

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

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

11. CONTINGENT LIABILITIES

(a) At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	30 June 2010 HK$'000 (Unaudited)	31 December 2009 HK$'000 (Audited)
Discounted bills with recourse supported by letters of credit	**12,633**	–

(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$1,860,000 (31 December 2009: HK$1,732,000) as at 30 June 2010. The contingent liability has arisen because, at the end of the reporting period, 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 end of the reporting period:

Capital commitments

	30 June 2010 HK$'000 (Unaudited)	31 December 2009 HK$'000 (Audited)
Contracted but not provided for:		
Purchases of machinery	**5,932**	3,589
Construction in progress	**38,677**	36,781
Others	**112**	160
	44,721	40,530

13. RELATED PARTY TRANSACTIONS

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

	Notes	**Six months ended 30 June 2010 HK$'000 (Unaudited)**	Six months ended 30 June 2009 HK$'000 (Unaudited)
Rental expenses on office premises and a staff quarter paid to Tai Chin Chun and Tai Chin Wen	(i)	**216**	186
Rental expenses on staff quarters paid to Cheung So Wan and Wong Siu Yuk	(ii)	**106**	–
Rental expenses on an office premise and car parks paid to Chin Tai Wing	(iii)	**131**	131
Purchases of raw materials from a jointly-controlled entity	(iv)	**46,683**	5,230
Sales of raw materials to a jointly-controlled entity	(iv)	**35,583**	–

13. 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$6,000, for a term of two years, respectively, based on the then prevailing market rentals.

(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 then prevailing market rentals.

(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, based on the then prevailing market rentals.

(iv) The cost of purchases and sales of raw materials from the jointly-controlled entity was determined with reference to the then prevailing market prices.

(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$2.9 million (31 December 2009: HK$3.0 million) as at 30 June 2010.

Each of Mr. Tai Chin Chun and Mr. Tai Chin Wen, directors of the Company, together with their respective spouses have given joint and several indemnities in favour of the Group in respect of aforementioned buildings/structures.

13. RELATED PARTY TRANSACTIONS (continued)

(c) Outstanding balances with related parties:

(i) As at 30 June 2010, the Group had an outstanding loan from a minority shareholder, amounting to HK$12.0 million (31 December 2009: HK$8.0 million) as at the end of the reporting period. The loan is unsecured, interest-free and repayable in January 2012.

(ii) The outstanding balances with its jointly-controlled entity and associates as at the end of the reporting period are unsecured, interest-free and repayable on demand.

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

	Six months ended 30 June 2010 HK$'000 (Unaudited)	Six months ended 30 June 2009 HK$'000 (Unaudited)
Short-term employee benefits	**9,344**	7,107
Post-employment benefits	**63**	50
	9,407	7,157

(e) The Group's minority shareholder has given counter-indemnity up to HK$28.2 million (31 December 2009: HK$28.2 million) in favour of the Company in respect of the corporate guarantee up to HK$70.5 million (31 December 2009: HK$70.5 million) executed by the Company given to banks in connection with facilities granted to a subsidiary of the Company.

14. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the Board on 24 August 2010.