KAM HING INTERNATIONAL HOLDINGS LIMITED
錦興國際控股有限公司




2012 INTERIM REPORT

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 02307

CONTENTS

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

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
P. O. 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, the "Group") for the six months ended 30 June 2012 (the "Period"). The interim financial information is not audited but has been reviewed by the Audit Committee of the Company.

Business Review

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

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

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

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

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

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

Prospects

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

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

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

Financial Review

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

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

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

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

Liquidity, financial resources and capital structure

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

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

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

Exposure to fluctuation in foreign exchange and interest rate

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

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

Charge of Group's assets

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

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

Capital expenditure

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

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

Contingent liabilities

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

Material acquisition and disposal

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

Human Resources

The Group had 6,674 (31 December 2011: 6,379) employees in the PRC, 5,332 (31 December 2011: 4,192) employees in Madagascar and 187 (31 December 2011: 180) employees in Hong Kong, Macau, Singapore and Korea as at 30 June 2012. Remuneration packages are generally structured by reference to market terms and individual qualification. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Discretionary bonuses are offered to the Group's staff depending on their performance and the results of the Group. The Group also participates in various defined contribution plans and insurance schemes in compliance with its statutory obligations under the laws and regulations of various locations worldwide.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the Period (six months ended 30 June 2011: Nil).

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 agreements of the Company and of a subsidiary of the Company, which contain 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 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.

(b) Pursuant to another facility agreement dated 12 August 2011 and entered into among 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 in an aggregate sum of HK$690.0 million for a term of three and a half years is made available to the subsidiary of the Company repayable in four equal instalments on the dates falling 24, 30, 36 and 42 months after the date of the facility agreement. An event of default would arise if, 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

Mr. Chan Yuk Tong, Jimmy, an independent non-executive director, has informed the Board that he has retired as an independent non-executive director of Anhui Conch Cement Company Limited with effect from 31 May 2012.

Directors' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2012, the interests and short positions of the Directors or the chief executive of the Company 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:

		Capacity and nature of interest				
Name of director	Notes	**Beneficial owner** (shares)	**Interest of spouse** (shares)	**Interest in controlled corporation** (shares)	**Total Interests** (shares)	**Approximate percentage of the Company's issued share capital** (%)
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 2012, none of the directors nor the chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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.

The following table shows the movement (if any) of the Company's share options during the Period:

Name of category of participant	Number of share options: At 1 January 2012	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	At 30 June 2012	Date of grant of share options (Note 1)	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
Non-director employees											
In aggregate	1,060,000	–	–	–	–	1,060,000	6 October 2004	6 October 2005 to 5 October 2014	1.28	1.24	N/A
	1,060,000	–	–	–	–	1,060,000					
Others											
In aggregate	220,000	–	–	–	–	220,000	6 October 2004	6 October 2005 to 5 October 2014	1.28	1.24	N/A
	220,000	–	–	–	–	220,000					
Total	1,280,000	–	–	–	–	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 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 2012, 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	Number of ordinary shares held	Percentage of the Company's issued share capital
Exceed Standard (Note)	Beneficial owner	332,600,000	38.23%
Power Strategy (Note)	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.

Save as disclosed above, as at 30 June 2012, no person, other than the directors and the 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 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 provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the Period.

Audit Committee

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

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 Company has confirmed that the Directors have confirmed that they have complied with the required standard set out in the Model Code for the Period.

Approval of the Unaudited Interim Financial Statements

The unaudited interim financial statements were approved and authorised for issue by the Board on 28 August 2012.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2012

	Notes	**Six months ended 30 June 2012 HK$'000 (Unaudited)**	Six months ended 30 June 2011 HK$'000 (Unaudited)
REVENUE	2, 3	**2,028,632**	1,917,036
Cost of sales		**(1,667,386)**	(1,585,794)
Gross profit		**361,246**	331,242
Other income and gains, net	3	**17,645**	9,789
Selling and distribution costs		**(77,691)**	(56,472)
Administrative expenses		**(189,197)**	(154,349)
Other operating income/ (expenses), net		**3,007**	(4,153)
Gain on disposal of a subsidiary	13	**–**	13,186
Finance costs		**(20,236)**	(18,491)
Share of profits less losses of a jointly-controlled entity		**(3,229)**	(2,474)
PROFIT BEFORE TAX	4	**91,545**	118,278
Income tax expense	5	**(14,054)**	(16,245)
PROFIT FOR THE PERIOD		**77,491**	102,033
Attributable to:			
Ordinary equity holders of the Company		**69,777**	95,352
Non-controlling interests		**7,714**	6,681
		77,491	102,033
Interim dividend	6	**Nil**	Nil
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	7	**HK8.0 cents**	HK11.0 cents
Diluted	7	**HK8.0 cents**	HK11.0 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Notes	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	**1,747,644**	1,622,430
Prepaid land lease payments		**71,191**	72,109
Intangible assets		**–**	–
Interest in a jointly-controlled entity		**29,812**	33,041
Interest in an associate		**48,848**	48,848
Deposits paid		**22,025**	27,553
Deferred tax assets		**5,020**	5,020
Total non-current assets		**1,924,540**	1,809,001
CURRENT ASSETS			
Inventories		**987,903**	899,011
Accounts and bills receivable	9	**731,746**	872,463
Prepayments, deposits and other receivables		**53,126**	56,124
Equity investments at fair value through profit or loss		**343**	159
Derivative financial instruments		**136**	1,960
Due from a jointly-controlled entity		**42,800**	14,505
Tax recoverable		**216**	748
Pledged deposits		**78,739**	121,790
Cash and cash equivalents		**385,162**	553,108
Total current assets		**2,280,171**	2,519,868

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2012

	Notes	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000 (Audited)
CURRENT LIABILITIES			
Accounts and bills payable	10	**728,131**	812,820
Accrued liabilities and other payables		**86,687**	131,529
Derivative financial instruments		**236**	6,614
Loan from a shareholder of an associate		**77,800**	77,800
Tax payable		**46,445**	46,009
Bank advances for discounted bills		**–**	114,783
Interest-bearing bank and other borrowings		**623,276**	491,513
Total current liabilities		**1,562,575**	1,681,068
NET CURRENT ASSETS		**717,596**	838,800
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,642,136**	2,647,801
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**708,638**	752,775
Deferred tax liabilities		**920**	697
Total non-current liabilities		**709,558**	753,472
Net assets		**1,932,578**	1,894,329
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital		**86,992**	86,992
Reserves		**1,787,132**	1,746,062
		1,874,124	1,833,054
Non-controlling interests		**58,454**	61,275
Total equity		**1,932,578**	1,894,329

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	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 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 differences 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
At 1 January 2012 (Audited)	86,992	446,105	290	104,804	37,177	325,008	832,678	1,833,054	61,275	1,894,329
Total comprehensive income for the period	–	–	–	–	–	–	69,777	69,777	7,714	77,491
Final 2011 dividend declared	–	–	–	–	–	–	(28,707)	(28,707)	–	(28,707)
Dividend paid to non- controlling shareholders	–	–	–	–	–	–	–	–	(10,535)	(10,535)
Transfer to statutory surplus reserve	–	–	–	–	806	–	(806)	–	–	–
At 30 June 2012 (Unaudited)	86,992	446,105	290	104,804	37,983	325,008	872,942	1,874,124	58,454	1,932,578

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	Six months ended 30 June 2012 HK$'000 (Unaudited)	Six months ended 30 June 2011 HK$'000 (Unaudited)
NET CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES	**94,589**	(150,841)
NET CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES	**(176,443)**	79,220
NET CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES	**(86,092)**	274,779
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(167,946)**	203,158
Cash and cash equivalents at beginning of period	**553,108**	252,355
Effect of foreign exchange rate changes, net	**–**	160
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**385,162**	455,673
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**385,162**	455,673

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The condensed consolidated interim financial statements of the Group have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and with the disclosure requirements of Appendix 16 to the Listing Rules. These condensed consolidated financial statements are unaudited but have been reviewed by the Company's audit committee.

The basis of preparation and accounting policies adopted in preparing these condensed consolidated financial statements are consistent with those adopted in the preparation of the Group's annual financial statements for the year ended 31 December 2011 except for the impact for the adoption of the following amendment mandatory for periods beginning on or after 1 January 2012.

In the current period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by HKICPA which are effective for the Group's financial year beginning on 1 January 2012:

HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*

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

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:

HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[1]
HKAS 19 (2011)	*Employee Benefits*[2]
HKAS 27 (2011)	*Separate Financial Statement*[2]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[3]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[2]
HKFRS 7 and HKFRS 9 Amendments	*Mandatory Effective Date of HKFRS 9 and Transition Disclosure*[4]
HKFRS 9	*Financial Instruments*[4]
HKFRS 10	*Consolidated Financial Statements*[2]
HKFRS 11	*Joint Arrangements*[2]
HKFRS 12	*Disclosure of Interests in Other Entities*[2]
HKFRS 13	*Fair Value Measurement*[2]
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	*Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance*[2]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]
Annual Improvements Project	*Annual Improvements of HKFRS 2009-2011 Cycle*[2]

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (continued)

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

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have any significant impact on its results of operations and financial position.

2. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

2. OPERATING SEGMENT INFORMATION (continued)

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

2. OPERATING SEGMENT INFORMATION (continued)

	Fabric HK$'000	Garment HK$'000	Others HK$'000	Total HK$'000
Six months ended 30 June 2011 (Unaudited)				
Segment revenue:				
Revenue from external customers	1,805,201	111,835	–	1,917,036
Intersegment revenue	33,905	–	–	33,905
	1,839,106	111,835	–	1,950,941
Elimination of intersegment revenue				(33,905)
Total revenue				1,917,036
Segment profits	125,572	13,488	183	139,243
Finance costs	(18,298)	(107)	(86)	(18,491)
Share of profits less losses of a jointly-controlled entity	(2,474)	–	–	(2,474)
Profit before tax	104,800	13,381	97	118,278
Income tax expense	(15,345)	(898)	(2)	(16,245)
Profit for the period	89,455	12,483	95	102,033
As at 31 December 2011 (Audited)				
Assets and liabilities				
Segment assets	4,116,704	121,686	3,570	4,241,960
Interest in a jointly-controlled entity	33,041	–	–	33,041
Interest in an associate	–	–	48,848	48,848
Deferred tax assets	5,020	–	–	5,020
Total assets	4,154,765	121,686	52,418	4,328,869
Segment liabilities	2,385,973	39,304	8,566	2,433,843
Deferred tax liabilities	697	–	–	697
Total liabilities	2,386,670	39,304	8,566	2,434,540
Other segment information:				
Six months ended 30 June 2011 (Unaudited)				
Depreciation and amortisation	101,010	2,400	6	103,416
Capital expenditure	77,728	5,519	–	83,247

2. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

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

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

(b) Non-current assets

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

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

Information about a major customer

Revenue of approximately HK$206.7 million (six months ended 30 June 2011: HK$174.6 million) was derived from sales by the fabric products segment and subcontracting services by the garment products segment to a single customer, including sales to a group of entities which are known to be under common control with that customer.

3. REVENUE, OTHER INCOME AND GAINS, NET

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

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

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

4. PROFIT BEFORE TAX

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

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

5. INCOME TAX

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

Hong Kong profits tax has been provided on the estimated assessable profits arising in Hong Kong at the rate of 16.5% (six months ended 30 June 2011: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

6. DIVIDEND

The Board has resolved not to declare any interim dividend for the Period (six months ended 30 June 2011: Nil).

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

The calculation of basic earnings per share amount is based on the profit for the Period attributable to ordinary equity holders of the Company of HK$69,777,000 (six months ended 30 June 2011: HK$95,352,000), and the number of 869,919,000 (six months ended 30 June 2011: weighted average of 869,916,790) ordinary shares deemed to have been in issue during the Period.

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

The calculation of diluted earnings per share amount is based on the profit for the Period attributable to ordinary equity holders of the Company of HK$69,777,000 (six months ended 30 June 2011: HK$95,352,000). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the Period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

	Six months ended 30 June 2012 HK$'000 (Unaudited)	Six months ended 30 June 2011 HK$'000 (Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the Company	**69,777**	95,352

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

8. PROPERTY, PLANT AND EQUIPMENT

The changes in the net book value of property, plant and equipment for the six months ended 30 June 2012 are analysed as follows:

	HK$'000
At 1 January 2012 (Audited)	1,622,430
Additions/Transfers	235,730
Disposals	(120)
Depreciation	(110,396)
At 30 June 2012 (Unaudited)	1,747,644

As at 30 June 2012, 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$12.9 million (31 December 2011: HK$13.4 million) and HK$96.9 million (31 December 2011: HK$97.7 million) situated in Panyu, the PRC and Enping, the PRC, respectively. The Company's directors confirmed that, based on the advice from the Company's legal counsel, 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 terms with its customers are generally on credit with terms of up to two months and are non-interest bearing (except for certain well-established customers with strong financial strength, good repayment history and credit worthiness, where the credit terms are extended to four months). The Group seeks to maintain strict control over its outstanding receivable and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's accounts and bills receivable relates to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its accounts and bills receivable balances.

9. ACCOUNTS AND BILLS RECEIVABLE (continued)

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

	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000 (Audited)
Within 1 month	**324,036**	336,470
1 to 2 months	**160,671**	231,916
Over 2 months	**247,039**	304,077
	731,746	872,463

No accounts and bills receivable as at 30 June 2012 (31 December 2011: HK$114,783,000) were discounted to banks in exchange for cash and included as "Bank advances for discounted bills" on the face of the condensed consolidated statement of financial position.

10. ACCOUNTS AND BILLS PAYABLE

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

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

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

11. COMMITMENTS

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

Capital commitments

	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000 (Audited)
Contracted but not provided for:		
Purchases of machinery	**163,177**	117,411
Construction in progress	**44,861**	29,782
	208,038	147,193

The Group had outstanding commitments amounted to HK$156,252,000 (31 December 2011: HK$303,911,000) 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 2012 HK$'000 (Unaudited)	Six months ended 30 June 2011 HK$'000 (Unaudited)
Rental expenses on office premises and staff quarters paid to Tai Chin Chun and Tai Chin Wen	(i)	**360**	249
Rental expenses on staff quarters paid to Cheung So Wan and Wong Siu Yuk	(ii)	**113**	106
Rental expenses on an office premise and car parks paid to Chin Tai Wing	(iii)	**132**	132
Sales of raw materials to a jointly-controlled entity	(iv)	**34,441**	20,977
Purchases of yarns from a jointly-controlled entity	(v)	**41,557**	63,919

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 staff quarters at monthly rentals of HK$40,000 and HK$20,000 for a term of two years, 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$18,750 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$3.1 million (31 December 2011: HK$3.2 million) as at 30 June 2012.

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 shareholder of an associate of HK$77,800,000 (31 December 2011: HK$77,800,000) as at the end of the reporting period. The loan is secured by the Group's equity interest in an associate, interest-free and repayable within one year.

(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:

	Six months ended 30 June 2012 HK$'000 (Unaudited)	Six months ended 30 June 2011 HK$'000 (Unaudited)
Short-term employee benefits	**9,612**	8,643
Post-employment benefits	**38**	36
	9,650	8,679

13. DISPOSAL OF A SUBSIDIARY AND DEEMED ACQUISITION OF AN ASSOCIATE

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 28 August 2012.