KAM HING INTERNATIONAL HOLDINGS LIMITED

錦 興 國 際 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2307)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2009

The board (the "Board") of directors (the "Directors") of Kam Hing International Holdings Limited (the "Company") is pleased to announced the unaudited condensed consolidated financial results of the Company and its subsidiaries (together the "Group") for the six months ended 30 June 2009 (the "Period") together with the unaudited comparative figures for the corresponding period in 2008 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2009

	Notes	**Six months ended 30 June 2009** ***HK$'000*** **(Unaudited)**	Six months ended 30 June 2008 *HK$'000* (Unaudited)
REVENUE	*2, 3*	**1,235,526**	1,151,796
Cost of sales		**(1,017,410)**	(915,757)
Gross profit		**218,116**	236,039
Other income and gains, net	*3*	**9,192**	6,820
Selling and distribution costs		**(51,848)**	(53,966)
Administrative expenses		**(119,103)**	(118,571)
Other operating income, net		**3,480**	372
Finance income		**90**	355
Finance costs		**(9,450)**	(17,406)
Share of profit less losses of a jointly controlled entity		**(184)**	–
PROFIT BEFORE TAX	*4*	**50,293**	53,643
Tax	*5*	**(5,160)**	(3,380)
PROFIT FOR THE PERIOD		**45,133**	50,263
Attributable to:			
Ordinary equity holders of the Company		**46,260**	51,256
Minority interests		**(1,127)**	(993)
		45,133	50,263
Interim dividend	*6*	**Nil**	Nil
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	*7*	**HK 7.2 cents**	HK 8.0 cents
Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2009

	Six months ended 30 June 2009 *HK$'000* **(Unaudited)**	Six months ended 30 June 2008 *HK$'000* (Unaudited)
PROFIT FOR THE PERIOD	**45,133**	50,263
OTHER COMPREHENSIVE INCOME		
Exchange differences on translating foreign operations	**–**	124,372
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**45,133**	174,635
Attributable to:		
Ordinary equity holders of the Company	**46,260**	175,628
Minority interests	**(1,127)**	(993)
	45,133	174,635

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2009

	Notes	30 June 2009 HK$'000 (Unaudited)	31 December 2008 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**1,417,276**	1,397,747
Prepaid land lease payments		**62,681**	63,458
Intangible assets		**2,776**	2,973
Interest in a jointly-controlled entity		**10,757**	10,941
Interest in associates		**1,100**	1,100
Deposits paid		**18,118**	21,436
Total non-current assets		**1,512,708**	1,497,655
CURRENT ASSETS			
Inventories		**547,069**	448,019
Accounts and bills receivable	8	**470,890**	459,337
Prepayments, deposits and other receivables		**23,345**	24,103
Equity investments at fair value through profit or loss		**243**	349
Derivative financial instruments		**2,580**	1,459
Due from minority shareholders		**–**	20,258
Due from an associate		**3,287**	3,287
Pledged deposits		**19,344**	8,823
Cash and cash equivalents		**168,223**	137,539
Total current assets		**1,234,981**	1,103,174
CURRENT LIABILITIES			
Accounts and bills payable	9	**519,212**	312,017
Accrued liabilities and other payables		**109,782**	97,108
Derivative financial instruments		**7,613**	20,032
Tax payable		**24,330**	20,532
Bank advances for discounted bills		**7,098**	71,088
Interest-bearing bank and other borrowings		**558,859**	524,450
Total current liabilities		**1,226,894**	1,045,227

	30 June 2009 HK$'000 (Unaudited)	31 December 2008 HK$'000 (Audited)
NET CURRENT ASSETS	**8,087**	57,947
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,520,795**	1,555,602
NON-CURRENT LIABILITIES		
Derivative financial instruments	**7,294**	–
Loan from a minority shareholder	**8,000**	–
Interest-bearing bank and other borrowings	**268,371**	363,412
Deferred tax liabilities	**573**	766
Total non-current liabilities	**284,238**	364,178
Net assets	**1,236,557**	1,191,424
EQUITY		
Equity attributable to ordinary equity holders of the Company		
Issued capital	**64,458**	64,458
Reserves	**1,129,921**	1,083,661
	1,194,379	1,148,119
Minority interests	**42,178**	43,305
Total equity	**1,236,557**	1,191,424

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 (the "Hong Kong Stock Exchange"). These condensed consolidated financial statements are unaudited but have been reviewed by the Company's audit committee.

The basis of preparation and accounting policies adopted in preparing these condensed financial statements are consistent with those adopted in the preparation of the Group's annual financial statements for the year ended 31 December 2008 except the impact for the adoption of the following amendment mandatory for periods beginning on or after 1 January 2009:

HKAS 1 (revised) ***Presentation of financial statements***

The revised standard prohibits the presentation of items of income and expenses (that is "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity. All "non-owner changes in equity" are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

The Group has elected to present two statements: an income statement and a statement of comprehensive income. The interim financial report has been prepared under the revised disclosure requirements.

HKFRS 8 ***Operating segments***

HKFRS 8 replaces HKAS 14, "Segment reporting". It requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes.

Operating segments are reported in a manner consistent with the internal reporting provided to management.

The adoption of HKFRS 8 has not resulted in any changes in reportable segment. There has been no further impact on the measurement of the Group's assets and liabilities. Comparatives for 2008 have been restated.

The following new standards, amendments and interpretations issued by HKICPA which are or have become effective and did not have any material impact on the accounting policies of the Group.

HKFRS 1 and HKAS 27 (Amendments)	Amendments to HKFRS 1 First-time Adoption of HKFRSs and HKAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment – Vesting Conditions and Cancellations
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures – Improving Disclosure about Financial Instruments
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 & HKAS 1 (Amendments)	Amendments to HKAS 32 Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC) – Int 9 Reassessment of Embedded Derivatives and HKAS 39 Financial Instruments: Recognition and Measurement – Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation

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

HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 3 (Revised)	Business Combinations
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 Amendment	Amendments to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners
HK(IFRIC)-Int 18	Transfers of Assest from Customers

Apart from the above, HKICPA has issued *Improvements to HKFRSs** in May 2009. Certain amendments to those standards set out below have been introduced which are not effective for the financial year beginning 1 January 2009 and have not been early adopted. The Group is assessing the impact of these amendments and will apply these amendments from 1 January 2010.

* Improvements to HKFRSs contains amendments to HKFRS 2, HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36, HKAS 38, HKAS 39, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2. SEGMENT INFORMATION

The Group manages its businesses by business lines (products and services). Segment information is presented in a manner consistent with the way in which the information is reported internally to the Group's management for the purposes of resource allocation and performance assessment. The Group has identified the following three reportable segments.

(a) Fabric includes production and sale of knitted fabric, dyed yarn and provision of related subcontracting services;

(b) Garment includes production and sale of garment products and provision of related subcontracting services; and

(c) Others include provision of air and ocean freight services and mining.

Six months ended 30 June 2009 (Unaudited)

	Fabric *HK$'000*	Garment *HK$'000*	Others *HK$'000*	Adjustments and eliminations *HK$'000*	Total *HK$'000*
Revenue					
Revenue from external customers	1,132,116	103,410	–	–	1,235,526
Intersegment revenue	61,715	39	–	(61,754)	–
Total revenue	1,193,831	103,449	–	(61,754)	1,235,526
Segment profit/(losses)	52,078	8,934	(51)	(1,124)	59,837
Finance income	89	1	–	–	90
Finance cost	(9,336)	(113)	(1)	–	(9,450)
Share of profit less losses of a jointly-controlled	(184)	–	–	–	(184)
Profit/(loss) before tax	42,647	8,822	(52)	(1,124)	50,293
Tax	(5,124)	–	(36)	–	(5,160)
Profit/(loss) for the period	37,523	8,822	(88)	(1,124)	45,133
Material items					
Depreciation and amortisation	65,463	1,711	248	–	67,422
Capital expenditure	85,776	364	–	–	86,140
Assets and liabilities					
Segment assets	2,710,195	112,810	10,746	(97,788)	2,735,963
Interests in a jointly-controlled entity	10,757	–	–	–	10,757
Interests in associates	–	–	1,100	–	1,100
Total assets	2,720,952	112,810	11,846	(97,788)	2,747,820
Segment liabilities	1,473,952	32,581	4,157	–	1,510,690
Deferred tax liabilities	573	–	–	–	573
Total liabilities	1,474,525	32,581	4,157	–	1,511,263

Six months ended 30 June 2008 (Unaudited)

	Fabric *HK$'000*	Garment *HK$'000*	Others *HK$'000*	Adjustments and eliminations *HK$'000*	Total *HK$'000*
Revenue					
Revenue from external customers	1,007,457	144,339	–	–	1,151,796
Intersegment revenue	62,098	–	–	(62,098)	–
Total revenue	1,069,555	144,339	–	(62,098)	1,151,796
Segment profit/(losses)	57,879	14,515	(1,094)	(606)	70,694
Finance income	291	22	42	–	355
Finance cost	(17,358)	(47)	(1)	–	(17,406)
Profit/(loss) before tax	40,812	14,490	(1,053)	(606)	53,643
Tax	(3,380)	–	–	–	(3,380)
Profit/(loss) for the period	37,432	14,490	(1,053)	(606)	50,263
Material items					
Depreciation and amortization	60,130	1,557	241	–	61,928
Capital expenditure	156,916	719	1,677	–	159,312
Assets and liabilities					
Segment assets	2,558,139	120,425	6,888	(96,664)	2,588,788
Interests in a jointly-controlled entity	10,941	–	–	–	10,941
Interests in associates	–	–	1,100	–	1,100
Total assets	2,569,080	120,425	7,988	(96,664)	2,600,829
Segment liabilities	1,375,075	29,653	3,911	–	1,408,639
Deferred tax liabilities	766	–	–	–	766
Total liabilities	1,375,841	29,653	3,911	–	1,409,405

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

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

	Six months ended 30 June 2009 *HK$'000* **(Unaudited)**	Six months ended 30 June 2008 *HK$'000* (Unaudited)
Revenue		
Production and sale of knitted fabric, dyed yarn and provision of related subcontracting services	**1,132,116**	1,007,457
Production and sale of garment products and provision of related subcontracting services	**103,410**	144,339
	1,235,526	1,151,769
Other income		
Fee income from freight handling services	**1,613**	1,642
Gross rental income	**230**	265
Others	**7,962**	5,979
	9,805	7,886
Gains		
Fair value gains/(losses), net		
Equity investment at fair value through profit or loss – held for trading	**(106)**	(239)
Derivative financial instruments		
– transactions not qualified for hedges and matured during the year	**11,821**	(1,275)
– transactions not qualified for hedges and not yet matured	**(12,328)**	448
	(613)	(1,066)
Other income and gains, net	**9,192**	6,820

4. PROFIT BEFORE TAX

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

	Six months ended 30 June 2009 *HK$'000* **(Unaudited)**	Six months ended 30 June 2008 *HK$'000* (Unaudited)
Cost of inventories sold and services provided	**1,017,410**	915,757
Research and development costs	**2,503**	3,291
Depreciation of items of property, plant and equipment	**66,487**	61,037
Amortisation of prepaid land lease payments	**739**	701
Amortisation of intangible assets	**196**	190
Employee benefits expense (including directors' remuneration):		
Wages and salaries	**122,524**	103,318
Equity-settled share option exercise	**–**	8,700
Pension scheme contributions	**4,471**	4,635
	126,995	116,653
Minimum lease payments under operating leases in respect of land and buildings	**2,718**	2,130
Gains on disposal of items of property, plant and equipment	**(79)**	(347)
Impairment of accounts receivable	**–**	784
Write back of impairment allowance for accounts receivable	**(2,552)**	(285)
Fair value (gains)/losses, net		
Equity investment at fair value through profit or loss – held for trading	**106**	239
Derivative financial instruments		
– transactions not qualified for hedges and matured during the year	**(11,821)**	1,275
– transactions not qualified for hedges and not yet matured	**12,328**	(448)
Foreign exchange difference, net	**(1,596)**	(1,833)

5. TAX

	Six months ended 30 June 2009 *HK$'000* **(Unaudited)**	Six months ended 30 June 2008 *HK$'000* (Unaudited)
Current tax – Hong Kong		
Charge for the period	**2,378**	1,931
Current tax – Elsewhere		
Charge for the period	**2,981**	2,627
Overprovision in respect of prior periods	**(6)**	(1,218)
Deferred tax charged	**(193)**	40
Total tax charge for the period	**5,160**	3,380

Profits tax in Hong Kong is calculated at 16.5% (six months ended 30 June 2008: 16.5%) on the estimated assessable profits for the Period. Tax in elsewhere is calculated at tax rates prevailing in the respective jurisdictions.

6. DIVIDEND

The Board has resolved not to declare any interim dividend for the Period (six months ended 30 June 2008: Nil).

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the Period attributable to ordinary equity holders of the Company of HK$46,260,000 (six months ended 30 June 2008: HK$51,256,000) and the weighted average number of ordinary shares of 644,583,000 (six months ended 30 June 2008: 644,475,000) deemed to have been in issue during the Period.

Diluted earnings per share amounts for the six months ended 30 June 2009 and 2008 has not been disclosed, as the share options outstanding during these Periods had an anti-dilutive effect on the basic earnings per share for these Periods.

8. ACCOUNTS AND BILLS RECEIVABLE

The Group's trading term with its customers are generally on credit with terms of up to 2 months and are non-interest bearing (except for certain well-established customers having strong financial strength, good repayment history and credit worthiness, where the credit terms are extended to 4 months). The Group seeks to strict control over its outstanding receivable and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's accounts and bills receivable relate 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 reporting period, based on the invoice date and net of impairment allowance, is as follows:

	30 June 2009 *HK$'000* **(Unaudited)**	31 December 2008 *HK$'000* (Audited)
Within 1 month	**245,844**	203,326
1 to 2 months	**122,067**	103,605
2 to 3 months	**64,118**	108,949
Over 3 months	**38,861**	43,457
	470,890	459,337

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 2009, HK$7,098,000 (31 December 2008: HK$71,088,000) were discounted to banks in exchange for cash and included as "Bank advances for discounted bills" in consolidated statement of financial position.

9. **ACCOUNTS AND BILLS PAYABLE**

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

	30 June 2009	31 December 2008
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 3 months	**427,894**	239,918
3 to 6 months	**90,534**	69,532
6 to 12 months	**555**	2,436
Over 1 year	**229**	131
	519,212	312,017

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group continues to be a leading company in the global textile market. For the Period, our revenue in manufacturing and sale of fabrics, dyed yarn and garment products increased by approximately 7.3% to HK$1,235.5 million (six months ended 30 June 2008: HK$1,151.8 million). Gross profit decreased by approximately 7.6% to approximately HK$218.1 million (six months ended 30 June 2008: HK$236.0 million) while net profit attributable to shareholders decreased by approximately 9.7% to HK$46.3 million (six months ended 30 June 2008: HK$51.3 million).

In spite of the slowdown in the worldwide market, the Group recorded continuous increase in revenue and improvement in operating efficiency during the Period, which are the results of the enhancement of our internal control, the development of new fabric, the newly acquired customers, as well as the stable revenue growth from the existing customers. However, the Group's overall gross margin for the Period has decreased to 17.7% from 20.5% as compared to the same period last year. The decrease is mainly due to the drop in the selling price resulting from ferocious market competition, the increased operating cost in Enping new fabric factory during the early stage of operations, and the higher unit costs borne by the Madagascar garment factories, which had lower production volume because of the political disturbance in early 2009.

During the Period, the Group has been focusing on expanding new market to broaden our customer base. Since the opening of the new marketing office in Korea in May 2008, extensive network and sales channels have been established, and because of such, a significant growth of over 300% in sales has been recorded for the Korea market, which was one of the strong growth drivers for the group during the Period. Currently, our customers from Singapore, Hong Kong, the PRC, Taiwan, the USA, Korea and other areas accounted for approximately 40.3%, 15.2%, 6.8%, 11.3%, 7.7%, 9.5% and 9.2% of the Group's total revenue respectively. The Group will continue to seek for further expansion in potential markets to maintain its diversified clientele, so as to improve its profit margin.

With the expansion initiatives that we had implemented in the past, we have gained substantial efficiency in most of our operations, in particular the yarn spinning company in Hubei, the PRC, and the new fabric factory in Enping, Guangdong, the PRC. The enhancement in efficiency in different operations not only secures the supply of raw materials in superior quality for the Group, but also reduces our reliance on external parties for the fabric manufacturing. Moreover, we have uplifted our capability and flexibility in the production of different product lines to reduce the production lead-time and the inventory level. This enables us to satisfy the fast-changing demand from our customers.

Facing the challenging operating environment in the global garment market, the Group is optimistic of the operating prospects for the second half of 2009. On the one hand, the political environment of Madagascar has become stable since May 2009. On the other hand, the Group will continuously implement appropriate measures to broaden its customer base, to improve its operation efficiency and cost effectiveness, and to development new fabric, in order to sharpen its competitiveness and profitability. We will also strengthen our upstream and downstream operations with a focus to reinforce its control over raw material supply and marketing effort, as well as to stabilize the sales function. The Group is also confident that the new Enping factory will gradually be operating in full capacity and the efficiency will be significantly enhanced in the second half of 2009 after three months of testing and adjustment, this will provide the Group with additional production to accommodate extra orders, thereby supporting continuous expansion of the Group.

Furthermore, we believe that the market competition will ease off in light of the recent industry consolidation, which causes most of the medium and small size competitors around in the international market to close down and therefore benefits our Group in the long run.

While maintaining its core textile business, the Group will continue to consider diversifying its business into other areas to broaden its source of income. In August 2009, the Group entered into a strategic framework agreement ("Agreement") with China National Coal Sales and Transportation Corporation (中國煤炭銷售運輸總公司) ("China National Coal"), a subsidiary of China National Coal Group Corporation, which ranked second in the PRC in terms of sale revenue in the coal industry for the past three consecutive years and was one of the top enterprises amongst China's top 500 industrial enterprises in 2008. The Agreement represents another significant step for the Group to diversify its business. The forming of a strategic alliance with China National Coal will enable the Group to swiftly develop its coal business by leveraging the business network of the China National Coal.

Back in 2008, the Group has formed a joint venture company with Wuhan Iron and Steel (Group) Company for the purpose of acquiring mineral exploration and exploitation right in certain region of Madagascar. The project has been slowed down due to the political instability in Madagascar. With the political environment of Madagascar becoming stabilised since May this year, the project was resumed. In mid-September, the joint venture has successfully bid for the mineral rights in Soalala, Madagascar. In view of such promising progress, the management believes that some concrete milestones can be achieved in the near future.

Financial Review

The Group recorded the revenue of approximately HK$1,235.5 million for the six months ended 30 June 2009 comprising sales of fabrics, dyed yarn and garment products, representing an overall growth of approximately 7.3% over the same period last year. The growth in revenue was attributable to the expansion of sales network by exploring the new markets as well as growth of orders from the existing customers.

Gross profit for the six months ended 30 June 2009 was approximately HK$218.1 million, representing a decrease of approximately 7.6% compared with the same period last year. Gross profit margin was approximately 17.7% for the six months ended 30 June 2009, representing a decrease of approximately 2.8 percentage points over the gross profit margin of approximately 20.5% for the same period last year. The decrease in gross profit margin was mainly due to the reduction in selling price resulting from market competition, increase in operating cost during the early stage of the commencement of the new fabric factory operation in Enping, Guangdong, the PRC, in March 2009, as well as reduction in sales order for the garment factories in Madagascar because of political instability in early 2009. Production of garment factories in Madagascar resumed normal after the political environment of Madagascar resumed stable since May 2009.

Net profit attributable to shareholders for the six months ended 30 June 2009 was approximately HK$46.3 million, representing a decrease of approximately 9.7% as compared with the corresponding period last year. Net profit margin for the six months ended 30 June 2009 was approximately 3.7%, representing a decrease by approximately 0.7 percentage points from the corresponding period of approximately 4.4% last year. Administrative and selling expenses decreased by approximately 0.9% over the corresponding period last year, which was mainly attributable to reduction in transportation cost due to slowdown of global economy and strict control of the Group's expenditure during the Period. Finance expenses reduced by approximately 45.4% to approximately HK$9.5 million from approximately HK$17.4 million in the same period last year as a result of decrease in market borrowing rate and the repayment of bank borrowings. Other income increased by approximately 35.3% to approximately HK$9.2 million from HK$6.8 million in the same period last year as a result of the increase in sales of steam generated by the power plant to the nearby factories.

Liquidity, financial resources and capital structure

As at 30 June 2009, the Group had net current assets of approximately HK$8.1 million (31 December 2008: net current assets of approximately HK$57.9 million). The decrease in net current assets was mainly due to the shift in non-current portion of the term loans and finance lease to current liability. Along with the continuing repayment of term loans by internal generated resources as well as the placement of 30 million new ordinary shares at HK$1.2 per share and warrant placing of 30 million new warrants exercisable into new shares at HK$1.5 per share to independent third parties in August 2009, the Group will further strengthen its financial position. 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 1.0 times (31 December 2008: approximately 1.1 times).

The total bank and other borrowings of the Group as at 30 June 2009 were approximately HK$842.3 million (31 December 2008: approximately HK$959.0 million). Cash and cash equivalents of the Group were HK$168.2 million (31 December 2008: approximately HK$137.5 million). The Group's gearing ratio was maintained at a healthy level of approximately 52.2% which is similar to 31 December 2008 (31 December 2008: approximately 51.7%).

As at 30 June 2009, the Group's long-term loans amounted to approximately HK$276.4 million (31 December 2008: approximately HK$363.4 million), comprising interest-bearing bank and other borrowings of approximately HK$232.5 million (31 December 2008: approximately HK$326.1 million), long-term finance lease payable of approximately HK$35.9 million (31 December 2008: approximately HK$37.3 million), a loan from a minority shareholder of approximately HK$8.0 million (31 December 2008: Nil). The decrease in long-term loan was mainly due to the shift in non-current portion of the term loans and finance lease to current liabilities as well as the repayment of the finance lease and the bank borrowings.

Exposure to fluctuation in foreign exchange and interest rate

Approximately 77.6% (six months ended 30 June 2008: approximately 76.7%) 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 became relatively stable during the Period. The management closely monitors the foreign exchange movements and determines the appropriate hedging activities when necessary. Exchange rates of the other currencies were relatively stable throughout the Period.

The Group's borrowings were mainly maintained at floating rate basis. In order to minimise any potential financial impact arising from interest rate volatilities, the Group entered into three-year interest rate swap with the banks in the year 2008 to fix the interest rate at around 2.7% for the amount of HK$450.0 million (six months ended 30 June 2008: Nil). 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 2009, certain items of property, plant and equipment of the Group with an aggregate net book value of approximately HK$93.2 million (31 December 2008: approximately HK$120.4 million) were under finance leases. As at 30 June 2009, bank deposits of approximately HK$19.3 million (31 December 2008: approximately HK$8.8 million) were pledged to bank to secure certain banking facilities.

Capital expenditure

During the Period, the Group invested approximately HK$86.1 million (six months ended 30 June 2008: approximately HK$159.3 million) in non-current assets, of which approximately 87.1% (six months ended 30 June 2008: approximately 80.7%) was used for the purchase of plant and machinery, approximately 9.2% (six months ended 30 June 2008: approximately 16.5%) 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 2009, the Group had capital commitments of approximately HK$55.9 million (31 December 2008: approximately HK$65.1 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 2009, the Group had bills discounted with recourse of approximately HK$33.8 million (31 December 2008: approximately HK$16.5 million) which are supported by letters of credit. The Group had a contingent liability in respect of possible future long service payments to employees with a maximum possible amount of approximately HK$1.7 million (31 December 2008: approximately HK$1.6 million).

Material Acquisition and Disposal

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

Major Development

In August 2009, the Group completed the share placement of 30 million new shares at HK$1.2 per share and warrant placing of 30 million new warrants exercisable into new shares at HK$1.5 per share to independent third parties. The successful placement of new shares and new warrant shares showed market confidence in the future of the Group and provided sufficient funding for future development.

Prospect

Looking ahead, the management believes that the Group will be able to maintain its leading position in the global market with our existing technical know-how, the well established business network, and growing production capability and high operation efficiency. The Group will restlessly leverage on these competitive advantages to seize every opportunity of further expansion into potential business area. We are confident of delivering strong values for our shareholders.

Finally, the Board would like to express our sincere gratitude to the shareholders, investors and business partners for their continuous support, and dedication, and to the staff for their devotion.

Human Resources

As at 30 June 2009, the total number of employees of the Group was approximately 5,100 (31 December 2008: 4,430) in the PRC, 4,650 (31 December 2008: 5,100) in Madagascar, Africa, 160 (31 December 2008: 140) 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 2008: Nil).

Purchase, Redemption or Sale of Listed Securities of the Company

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

Code on Corporate Governance Practices

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2009.

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. Chan Chung Yuen, Lawrence. The audit committee is primarily responsible for reviewing and supervising the financial reporting and the internal control of the Group. The Group's interim results for the six months ended 30 June 2009 has not been audited but has been reviewed by the audit committee.

GENERAL INFORMATION

As at the date of this announcement, the executive directors of the Company are Mr. Tai Chin Chun, Mr. Tai Chin Wen, Ms. Cheung So Wan, Ms. Wong Siu Yuk, Mr. Chong Chau Lam and Mr. Wong Wai Kong, Elmen; the independent non-executive directors of the Company are Mr. Chan Yuk Tong, Jimmy, Ms. Chu Hak Ha, Mimi and Mr. Chan Chung Yuen, Lawrence.

By order of the Board
Kam Hing International Holdings Limited
Mr. Tai Chin Chun
Chairman

Hong Kong, 15 September 2009