KITH HOLDINGS LIMITED
僑威集團有限公司

(Incorporated in Bermuda with limited liability)
(Stock code: 1201)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH JUNE, 2011

INTERIM RESULTS

The Board of Directors (the "Board") of Kith Holdings Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2011, together with the comparative figures for the corresponding period of 2010. The details are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		(Unaudited) Six months ended 30th June,	
		2011	2010
	Notes	***HK$'000***	*HK$'000*
Revenue	3	**935,812**	863,196
Cost of sales		**(799,618)**	(744,976)
Gross profit		**136,194**	118,220
Other revenue		**5,517**	7,114
Distribution costs		**(3,688)**	(2,209)
Administrative expenses		**(56,017)**	(48,534)
Fair value (loss) gain on held-for-trading investments		**(697)**	414
Fair value gain on other financial assets		**626**	1,463
Profit from operations		**81,935**	76,468
Finance costs		**(10,170)**	(8,050)
Profit for the period before taxation	4	**71,765**	68,418
Taxation	5	**(10,543)**	(12,605)
Profit for the period		**61,222**	55,813
Attributable to:			
Owners of the Company		**32,351**	31,803
Non-controlling interests		**28,871**	24,010
		61,222	55,813
		HK cents	*HK cents*
Earnings per share	6		
– Basic		**12.37**	12.16
– Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	(Unaudited) Six months ended 30th June,	
	2011	2010
	HK$'000	*HK$'000*
Profit for the period	**61,222**	55,813
Other comprehensive income for the period:		
Exchange differences arising on translation of foreign operations	**15,332**	8,129
Fair value adjustment on available-for-sale investments	**(1,056)**	(477)
Gain on deemed disposal of interest in a subsidiary	**2,631**	–
	16,907	7,652
Total comprehensive income for the period	**78,129**	63,465
Attributable to:		
Owners of the Company	**45,022**	36,291
Non-controlling interests	**33,107**	27,174
	78,129	63,465

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**(Unaudited) As at 30th June, 2011** *HK$'000*	(Audited) As at 31st December, 2010 *HK$'000*
Non-current Assets			
Property, plant and equipment		**615,047**	618,094
Prepaid lease payments		**18,351**	18,657
Deposits paid for acquisition of property, plant and equipment		**30,905**	30,218
Goodwill		**2,695**	2,695
Available-for-sale investments		**24,244**	25,284
Deferred tax assets		**126**	123
Total non-current assets		**691,368**	695,071
Current Assets			
Inventories		**180,941**	174,957
Trade and other receivables from third parties, deposits and prepayments	8	**583,711**	584,099
Trade and other receivables from non-controlling shareholders	9	**72,112**	62,281
Prepaid lease payments		**613**	613
Short-term loans receivable		**60,728**	65,605
Held-for-trading investments		**1,277**	1,972
Other financial assets		**1,027**	377
Bank balances and cash		**63,632**	65,074
Total current assets		**964,041**	954,978

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (cont'd)

	Notes	(Unaudited) As at 30th June, 2011 HK$'000	(Audited) As at 31st December, 2010 HK$'000
Current Liabilities			
Trade and other payables	10	**192,166**	264,260
Tax liabilities		**11,523**	12,694
Dividend payable to non-controlling shareholders		**27,033**	1,430
Borrowings	11	**465,085**	450,811
Obligation under finance lease – due within one year		**942**	775
Total current liabilities		**696,749**	729,970
Net Current Assets		**267,292**	225,008
Total Assets Less Current Liabilities		**958,660**	920,079
Non-current Liabilities			
Obligation under finance lease – due after one year		**865**	969
Deferred tax liabilities		**44,137**	43,769
Total non-current liabilities		**45,002**	44,738
Net Assets		**913,658**	875,341
Capital and Reserves			
Share capital	12	**26,145**	26,145
Reserves		**557,845**	534,785
Equity attributable to:			
Owners of the Company		**583,990**	560,930
Non-controlling interests		**329,668**	314,411
Total Equity		**913,658**	875,341

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The Group's unaudited condensed interim financial information has been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants. The unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31st December, 2010.

2. Principal accounting policies

The condensed consolidated interim financial information has been prepared on the historical cost basis except for property, plant and equipment and certain financial instruments, which are measured at revalued amounts or fair values, as appropriate.

The accounting policies used in the condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2010, except as described below.

HKFRSs (Amendments)	Improvements to HKFRSs Issued in 2010
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendments)	Classification of Right Issues
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HK (IFRIC) – INT 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK (IFRIC) – INT 19	Extinguishing Financial Liabilities with Equity Instruments

Amendment to HKAS 34 "Interim Financial Reporting" (as part of improvements to HKFRSs issued in 2010) is effective for annual periods beginning on or after 1st January, 2011. It emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

The adoption of the other new and revised standards, amendments and interpretations ("new and revised HKFRSs") had no material effect on how the results and financial position of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment is required.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[3]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[2]
HKAS 19 (Revised in 2011)	Employee Benefits[4]
HKAS 27 (Revised in 2011)	Separate Financial Statements[4]

HKAS 28 (Revised in 2011)	Investments in Associates and Joint Ventures[4]
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
HKFRS 7 (Amendments)	Disclosures – Transfer of Financial Assets[1]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosures of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]

1 *Effective for annual periods beginning on or after 1st July, 2011*

2 *Effective for annual periods beginning on or after 1st January, 2012*

3 *Effective for annual periods beginning on or after 1st July, 2012*

4 *Effective for annual periods beginning on or after 1st January, 2013*

HKFRS 9 "Financial Instruments" (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 "Financial Instruments" (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

– Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: recognition and measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

– In relation to financial liabilities, the significant change relates to the financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of the changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Currently, under HKAS 39, the entire amount of change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.

HKFRS 10 "Consolidated Financial Statements" builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. HKFRS 10 provides additional guidance to assist in the determination of control where this is difficult to assess.

HKFRS 11 "Joint Arrangements" provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). HKFRS 11 addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities.

HKFRS 12 “Disclosures of Interests in Other Entities” is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

HKFRS 13 “Fair Value Measurement” improves consistency and reduces complexity by providing, for the first time, a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting, but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs.

The above-mentioned standards are effective for annual periods beginning on or after 1st January, 2013 with earlier application permitted. They are required to be applied retrospectively, but if the entity adopted HKFRS 9 prior to 1st January, 2012, the entity will be exempt from the requirements to restate prior period comparative information. The Group is presently studying the implications of applying the above-mentioned standards. It is impracticable to quantify their impacts as at the date of publication of these financial statements.

Amendments to HKAS 1 (Revised) “Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income” require companies preparing financial statements in accordance with HKFRSs to group together items within other comprehensive income (“OCI”) that may be reclassified to the profit or loss section of the income statement. The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements. Amendments to HKAS 1 are effective for annual periods beginning on or after 1st July, 2012. Earlier application is permitted.

The application of the other new and revised HKFRSs will have no material impact on the results and financial position of the Group.

3. Revenue and segment information

Segment information

Management has determined the operating segments based on the reports reviewed by the executive directors that are used to make strategic decisions. The Group’s operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group’s operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other operating segments.

The Group is currently organised into two major business operations – printing and manufacturing of packaging products and distribution of electronic and related products. The distribution of electronic and related products is further segregated into following operating segments:

– Distribution of television business-related products;

– Distribution of other electronic and related products; and

– Design and sales of integrated circuits.

Segment turnover and results

The following is an analysis of the Group's turnover and results by reportable segment.

	Printing and manufacturing of packaging products *HK$'000*	Distribution of television business-related products *HK$'000*	Distribution of other electronic and related products *HK$'000*	Design and sales of integrated circuits *HK$'000*	Total *HK$'000*
Six months ended 30th June, 2011 (Unaudited)					
SEGMENT REVENUE					
Consolidated revenue	**340,724**	**70,653**	**499,248**	**25,187**	**935,812**
SEGMENT RESULTS					
Reportable segment profit (loss)	**69,758**	**(4,484)**	**13,449**	**5,721**	**84,444**
Interest income					**3,231**
Fair value loss on held-for-trading investments					**(697)**
Fair value gain on other financial assets					**626**
Unallocated corporate expenses					**(5,669)**
Finance costs					**(10,170)**
Consolidated profit before tax					**71,765**

	Printing and manufacturing of packaging products *HK$'000*	Distribution of television business-related products *HK$'000*	Distribution of other electronic and related products *HK$'000*	Design and sales of integrated circuits *HK$'000*	Total *HK$'000*
Six months ended 30th June, 2010 (Unaudited)					
SEGMENT REVENUE					
Consolidated revenue	288,574	103,481	450,476	20,665	863,196
SEGMENT RESULTS					
Reportable segment profit	63,293	2,282	10,664	3,235	79,474
Interest income					4,504
Fair value gain on held-for-trading investments					414
Fair value gain on other financial assets					1,463
Unallocated corporate expenses					(9,387)
Finance costs					(8,050)
Consolidated profit before tax					68,418

Segment assets

The following is an analysis of the Group's assets by reportable segment.

	Printing and manufacturing of packaging products	**Distribution of television business-related products**	**Distribution of other electronic and related products**	**Design and sales of integrated circuits**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
At 30th June, 2011 (Unaudited)					
SEGMENT ASSETS					
Reportable segment assets	**1,076,184**	**102,906**	**397,491**	**45,768**	**1,622,349**
Available-for-sale investments					**24,244**
Deferred tax assets					**126**
Held-for-trading investments					**1,277**
Other financial assets					**1,027**
Unallocated corporate assets					**6,386**
Consolidated total assets					**1,655,409**

	Printing and manufacturing of packaging products	Distribution of television business-related products	Distribution of other electronic and related products	Design and sales of integrated circuits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31st December, 2010 (Audited)					
SEGMENT ASSETS					
Reportable segment assets	1,122,526	185,478	272,222	35,608	1,615,834
Available-for-sale investments					25,284
Deferred tax assets					123
Held-for-trading investments					1,972
Other financial assets					377
Unallocated corporate assets					6,459
Consolidated total assets					1,650,049

4. Profit for the period before taxation

Profit for the period before taxation has been arrived at after charging/(crediting):

	(Unaudited) Six months ended 30th June,	
	2011	2010
	HK$'000	*HK$'000*
Staff costs	**42,099**	39,744
Retirement benefits scheme contributions	**5,090**	5,162
Total staff costs including directors' emoluments	**47,189**	44,906
Cost of inventories recognised as an expense	**799,618**	744,976
Depreciation and amortisation of property, plant and equipment	**26,496**	21,133
Amortisation of prepaid lease payments	**306**	306
Interest income	**(3,231)**	(4,504)

5. Taxation

	(Unaudited) Six months ended 30th June,	
	2011	2010
	HK$'000	*HK$'000*
The charge comprises:		
Current tax:		
Hong Kong Profits Tax	**2,043**	1,147
Taxation outside Hong Kong	**8,135**	11,959
	10,178	13,106
Deferred tax	**365**	(501)
	10,543	12,605

Hong Kong Profits Tax is calculated at 16.5% (2010: 16.5%) of the estimated assessable profit for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Taxation outside Hong Kong represents the enterprise income tax of the People's Republic of China (the "PRC") calculated at the applicable rates on the estimated assessable profit of the Group's PRC subsidiaries for the relevant period.

6. Earnings per share

The calculation of basic earnings per share is based on the profit for the period attributable to owners of the Company of HK$32,351,000 (six months ended 30th June, 2010: HK$31,803,000) and the weighted average number of 261,453,600 ordinary shares (six months ended 30th June, 2010: 261,453,600) in issue during the period.

For the six months ended 30th June, 2011 and 30th June, 2010, there are no outstanding share options or other securities that have a potential dilutive effect on the earnings per share attributable to owners of the Company.

7. Dividends

An interim dividend in respect of the six months ended 30th June, 2011 of HK2.3 cents per share, totalling approximately of HK$6,013,000 is declared. This interim financial information does not reflect such dividend payable.

	(Unaudited) Six months ended 30th June,	
	2011	2010
	HK$'000	*HK$'000*
Interim dividend declared of HK2.3 cents (2010: HK2.3 cents) per ordinary share	**6,013**	6,013

The 2010 final dividend of HK8.4 cents per ordinary share, totalling HK$21,962,000, was paid in June 2011. The 2009 final dividend of HK7.6 cents per ordinary share, totalling HK$19,870,000 was paid in June 2010.

8. Trade and other receivables from third parties, deposits and prepayments

The Group allows an average credit period of 30 to 120 days to its trade customers. Included within trade and other receivables from third parties, deposits and prepayments are trade receivables balance of HK$504,071,000 (31st December, 2010: HK$511,777,000), the aged analysis of this balance is as follows:

	(Unaudited) 30th June, 2011	(Audited) 31st December, 2010
	HK$'000	*HK$'000*
Within 60 days	**357,349**	369,504
Within 61 – 90 days	**55,562**	59,408
More than 90 days	**91,160**	82,865
	504,071	511,777

9. Trade and other receivables from non-controlling shareholders

The Group allows an average credit period of 30 to 90 days to non-controlling shareholders. Included within trade and other receivables from non-controlling shareholders are trade receivables balance of HK$71,271,000 (31st December, 2010: HK$60,910,000), the aged analysis of this balance is as follows:

	(Unaudited) 30th June, 2011 ***HK$'000***	(Audited) 31st December, 2010 *HK$'000*
Within 60 days	**69,653**	59,312
More than 90 days	**1,618**	1,598
	71,271	60,910

10. Trade and other payables

Included within trade and other payables are trade payables balance of HK$145,055,000 (31st December, 2010: HK$208,499,000), the aged analysis of this balance is as follows:

	(Unaudited) 30th June, 2011 ***HK$'000***	(Audited) 31st December, 2010 *HK$'000*
Within 60 days	**99,262**	167,101
Within 61 – 90 days	**25,707**	7,398
More than 90 days	**20,086**	34,000
	145,055	208,499

11. Borrowings

	(Unaudited) 30th June, 2011 *HK$'000*	(Audited) 31st December, 2010 *HK$'000*
Current liabilities		
Bank overdraft	**–**	284
Bank loans		
– portion of bank loans due repayment within one year	**162,605**	154,772
– portion of term loans from bank due for repayment after one year which contain a repayment on demand clause	**41,773**	37,214
Trust receipt loans	**248,707**	253,541
Other loan	**12,000**	5,000
Total borrowings	**465,085**	450,811
Analysed as:		
Secured	**54,703**	55,505
Unsecured	**410,382**	395,306
	465,085	450,811

At 30th June, 2011, the Group's borrowings were due for repayment as follows, which are based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause:

	(Unaudited) 30th June, 2011 *HK$'000*	(Audited) 31st December, 2010 *HK$'000*
Carrying amount repayable:		
On demand or within one year	**423,312**	413,597
After one year but within two years	**13,325**	11,246
After two years but within five years	**28,448**	25,968
	465,085	450,811

12. Share capital

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1st January, 2010, 1st January, 2011 and 30th June, 2011	**1,000,000,000**	100,000
Issued and fully paid:		
At 1st January, 2010, 1st January, 2011 and 30th June, 2011	**261,453,600**	26,145

13. Capital commitments

	(Unaudited) 30th June, 2011	(Audited) 31st December, 2010
	HK$'000	*HK$'000*
Capital expenditure in respect of the acquisition of tangible assets contracted but not provided in the consolidated financial statements	**1,286**	17,106

14. Contingent liabilities

The Group had no significant contingent liabilities at the date of condensed consolidated statement of financial position.

15. Related party transactions

During the period under review, the Group had transactions with the related parties as follows:

		(Unaudited) Six months ended 30th June,	
Related parties	**Nature of transactions**	**2011**	2010
		HK$'000	*HK$'000*
Yunnan Zhaotong Cigarette Factory ("Yunnan Zhaotong") and fellow subsidiaries of Yunnan Zhaotong	Sales by the Group	**241,255**	202,611
Finance Bureau of Zhaotong City, Yunnan Province	Rental paid by the Group	**57**	57
Oncapital Limited	Rental paid by the Group	**438**	438

Details of the Group's outstanding balances with the related parties are set out on the condensed consolidated statement of financial position.

Save as disclosed above, there were no other significant transactions with related parties during the period or significant balances with them as at 30th June, 2011.

INTERIM DIVIDEND

The Board has declared the payment of an interim cash dividend of HK2.3 cents (2010: HK2.3 cents) per share for the six months ended 30th June, 2011 payable on 28th September, 2011 to shareholders of the Company (the "Shareholders") whose names appear on the Register of Members of the Company on 14th September, 2011.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 15th September, 2011 to 21st September, 2011 (both days inclusive) during which period no transfer of shares will be registered. All transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Abacus Limited, of 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on 14th September, 2011.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Operation Results

Total turnover of the Group for the six months ended 30th June, 2011 amounted to HK$935,812,000, representing an increase of 8.4% from the corresponding period in 2010. Profit attributable to owners of the Company stood at HK$32,351,000 for the six months ended 30th June, 2011, representing an increase of approximately 1.7% compared with the corresponding period in 2010. The increase in turnover is attributable to the increase in turnover of both package printing business and distribution business of electronic products (excluding television business-related products) of the Group. However, the distribution of television business-related products has recorded a decrease in turnover as a result of lower than expected demand. Administrative expenses also increased by approximately HK$7,483,000 due to the rising salaries and labour costs and the additional overheads of the Company's subsidiary in the United States of America ("USA"). As a result, there was overall only a slight increase in the profit attributable to owners of the Company compared to that of the last period.

Business Overview

Package printing division

The turnover from package printing business for the six months ended 30th June, 2011 was HK$340,724,000, representing an increase of 18.1% from the same period of 2010. Gross profit margin decreased from 33.8% in 2010 to approximately 30.4% in 2011. The decrease in gross profit margin was a result of an increase in the prices of raw materials and labour cost but the selling prices of package printing products remained relatively unchanged. Even with the drop, the gross profit margin of 30.4% is still considered healthy. Gross profit from the package printing business, which remains the core business of the Group, accounted for approximately 75.9% of the Group's total gross profit for the six months ended 30th June, 2011.

Tobacco package printing was still the core product line of the package printing division, which accounted for over 86.0% of the total turnover of the division. The success of the Group's profitable package printing business in the past has proved that the Group's business model will remain profitable for the foreseeable future. The Board believes that, with the Group's long-term working relationship and partnerships with tobacco enterprises in the PRC, experienced management, strong research and development capability and continued investment in leading technologies and equipment, the Group will continue to reap rewards from the domestic consumption market in the PRC.

Starting in 2011, the tobacco enterprises in the PRC has mandated a tendering system for their business. Vendors like the Group's Yunnan subsidiary has to submit tenders for their business in the first quarter of each year. The result of its Yunnan subsidiary's tender was great and the subsidiary has secured orders for the year with amounts exceeding those in 2010. This result demonstrates the superior technical and marketing expertise of the Group's package printing division in the tobacco packaging business in the PRC.

The construction of the new production building of 10,000 square metres and installation of the new advanced 6-colour offset printing machine in the Group's Kunming production centre has been completed in 2010 and fully operational in the period.

The Board is pleased to announce that the extension of the business operation period of the Group's Yunnan joint venture has been granted approval for extension to the year 2043 by the relevant authorities.

Distribution business

Television business-related products

Turnover from the distribution business of television business-related products (consisting mainly of liquid crystal display television sets ("LCD TV") and converter boxes distributed to USA customers) during the six months ended 30th June, 2011 amounted to HK$70,653,000, representing a decrease of 31.7% from the corresponding period in 2010. The gross profit margin increased from 2.2% in 2010 to 4.4% in 2011.

The Group has established its USA subsidiary, Kith Consumer Product Inc. ("KCPI"), in 2010 and through its working relationships with major USA retail chain stores in the past few years, has succeeded in getting orders from these customers. In the second half of 2010, the Group began to sell several large orders of its consumer electronic products, mainly LCD TV, directly to major retail chain stores in the USA. In the six months ended 30th June, 2011, the orders received from its USA customers were less than its expectation because of the sluggish economic conditions of the USA. Traditionally, the first half of each year is a slow season for consumer electronic products compared to the second half of the year in the USA. With the smaller than expected sales from this division and the administrative overheads of KCPI, the division did not achieve the results expectation of the Group. The management expects that orders will go up back to their expectation in the second half of 2011 and the results of this division will show marked improvement. The profit margins of the products distributed in the six months ended 30th June, 2011 were higher compared to the corresponding period in 2010 and hence the increase in the gross profit margin.

In August 2010, Apex Digital Inc. ("Apex"), a major customer of the Group's distribution business in USA, informed the Group that it had discontinued its television product business. As at 13th August, 2010, Apex owed Kith Electronics Limited, a wholly-owned subsidiary of the Company, a debt of approximately US$12,198,000 (approximately HK$95,144,000). As at the date of this announcement, the Group has recovered 100% of the debt.

Other electronic and related products

Turnover from the distribution business of other electronic and related products (consisting mainly of LCD panels, computer components and portable storage devices distributed to customers in Hong Kong and PRC) for the six months ended 30th June, 2011 amounted to HK$499,248,000, with a 10.8% increase compared to the corresponding period in 2010. The gross profit margin of electronic products decreased slightly from 2.6% to 2.3% in 2011. The increase in turnover was due to the successful marketing efforts in capturing more business in this segment.

Design and sales of integrated circuits

Minilogic Device Corporation Limited ("Minilogic"), an indirect non-wholly owned subsidiary of the Company, is a company specialised in the design, development and sales of integrated circuits ("IC"). In 2010, Minilogic achieved a breakthrough in its business by producing and selling IC for "electronics cigarettes" in the PRC. The turnover for the six months ended 30th June, 2011, was HK$25,187,000, an increase of 21.9% compared to the corresponding period in 2010.

During the period, Minilogic issued new shares to an investor for additional working capital. As a result, the Group's interest in Minilogic was reduced from 63.7% to 52.0%.

The Company intended to spin off the IC design and sales business and has submitted a spin-off proposal to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 4th May, 2011. The Stock Exchange has confirmed that the Company may proceed with the spin-off.

Proposed spin-off

On 4th May, 2011, the Company submitted a spin-off proposal to the Stock Exchange in relation to the proposed spin-off and separate listing of the design, development and sales of IC business ("Proposed Spin-off") on the Growth Enterprise Market ("GEM") of the Stock Exchange.

On 22nd June, 2011, Megalogic Technology Holdings Limited ("Megalogic") submitted an application for the listing of, and permission to deal in, the ordinary shares of Megalogic of HK$0.1 each ("Megalogic Shares") in issue and to be issued on the GEM.

Megalogic was incorporated as an exempted company in the Cayman Islands on 31st March, 2011 and, as at the date of this announcement, is an indirect wholly-owned subsidiary of the Company. Prior to the Proposed Spin-off, a reorganisation will be carried out pursuant to which Megalogic will become the holding company of Minilogic. Minilogic is principally engaged in provision of IC solutions and the design, development and sales of IC products.

Upon completion of the Proposed Spin-off, the shareholding of the Company in Megalogic will be diluted and Megalogic will cease to be a subsidiary of the Company.

The Board believes that the Proposed Spin-off will be beneficial to the Shareholders as the Company will be able to realise the value of its investments in Megalogic by way of having an investment in readily marketable securities.

In accordance with the requirements of Practice Note 15 of the Listing Rules, the Board will give due regard to the interests of the Shareholders by providing qualifying Shareholders with assured entitlements to a certain number of Megalogic Shares by way of preferred application, provided that certain conditions are fulfilled. The number of Megalogic Shares to be offered for subscription by the qualifying Shareholders will be determined with reference to the number of shares of the Company held by that qualifying Shareholder as at a particular date.

The aforesaid assured entitlements will proceed subject to the Stock Exchange having approved the Proposed Spin-off and the Board and the board of directors of Megalogic having decided to proceed with the Proposed Spin-off. Details of such assured entitlements have not yet been finalised and will be announced in due course.

As at the date of this announcement, the Stock Exchange has not yet granted approval of the Proposed Spin-off and the Board has not yet finalised whether and when the Proposed Spin-off will be launched.

Human resources development

As at 30th June, 2011, the Group employed a total of approximately 1,000 employees. There was no substantial change in the number of employees during the period and most of them were hired by the Group's production plants in the PRC during the period. The Group has provided training to employees to update their expertise and enhance their development. Competitive remuneration packages and fringe benefits, including provident fund and medical insurance, are provided to attract, retain and motivate employees.

Future prospects

The management is confident that the demand for high quality consumer products, mainly tobacco, which is the major market segment of the Group, will continue to maintain steady growth with the stable economic growth and improving living standards in the PRC. With its leading edge printing and anti-counterfeit techniques and experience in tobacco package printing product design, the Group will strive to achieve a leading position in the package printing segment for other fast growing premium consumer products. The Group has already made substantial inroads into other consumer goods markets, like pharmaceutical product, wine and health food. In addition with the encouraging results of securing further orders from the tendering system of the tobacco enterprises in the PRC, the Group is planning to acquire a new rotogravure printing machine to further increase the production capacity of the Group.

The management expects that sales of electronic products not related to television business will remain steady throughout the year. As for the television business-related product division, the Group is in the process of developing the Group's own brand of consumer electronic products, mainly LCD TV, which will be promoted and marketed, starting in the second half of 2011 in the USA. The management also expects that sales of television business–related products will pick up significantly in the second half of 2011.

The Board is confident that the Proposed Spin-off, should it be successfully implemented, will enhance the value of the Company as the Company will be able to easily realise the value of its investments in Megalogic.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained sufficient working capital as at 30th June, 2011 with net current assets of HK$267,292,000 (31st December, 2010: HK$225,008,000) and bank balances and cash of HK$63,632,000 (31st December, 2010: HK$65,074,000). The net debt to equity ratio (Interest bearing liabilities less cash/Shareholders' equity plus non-controlling interests) was 44.1% as at 30th June, 2011, which was virtually identical to the ratio of 44.3% as at 31st December, 2010.

CAPITAL STRUCTURE

During the period, there was no change to the share capital of the Company.

EXCHANGE EXPOSURE

All sales and purchases for the package printing division are denominated in Renminbi and most of the sales and purchases for the distribution division are denominated either in USA dollar or Hong Kong dollar. Through the currency match for sales and purchases, the exposure to exchange risks is minimised.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th June, 2011, the interests of the directors and their associates in the shares, underlying shares and debentures of the Company (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained 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") contained in the Listing Rules, were as follows:

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Hui King Chun, Andrew	Held by trust	161,000,000 *(Note)*	61.58%
Mr. Liu Kam Lung	Beneficially held	152,000	0.06%
	Held by children under 18 or spouse	100,000	0.04%
		252,000	0.10%

Note: These shares are registered in the name of Accufit Investments Inc., a company indirectly wholly-owned by a discretionary trust, the beneficiaries of which are the family members of Mr. Hui King Chun, Andrew.

Other than as disclosed above, none of the directors nor their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 30th June, 2011, as required to be recorded in the register maintained 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.

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2011, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, other than the interest disclosed above in respect of certain directors, the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company.

Long positions

Ordinary shares of HK$0.1 each of the Company

Names of shareholders	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Basab Inc.	Beneficiary of trusts	161,000,000 *(Note)*	61.58%
Safeguard Trustee Limited	Beneficiary of trusts	161,000,000 *(Note)*	61.58%

Note: These shares are registered in the name of Accufit Investments Inc., which is 100% owned by Basab Inc. as trustee of the Basab Unit Trust which is a unit trust owned by Safeguard Trustee Limited as trustee of a discretionary trust, the beneficiaries of which are the family members of Mr. Hui King Chun, Andrew.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued capital of the Company as at 30th June, 2011.

SHARE OPTIONS

The Company's share option scheme (the "Scheme") was adopted pursuant to the annual general meeting of the Company held on 15th May, 2002 for the primary purpose of providing incentives to selected participants for their contribution to the Group, and will expire on 14th May, 2012. Under the Scheme, the Board may grant options to all directors of the Company (including independent non-executive directors) and any employee of the Group, and any participant from time to time determined by the Board as having contributed or may contribute to the development and growth of the Group to subscribe shares in the Company.

No share options were granted during the period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months period ended 30th June, 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company has adopted all the Code Provisions in Appendix 14 of the Listing Rules except the following deviations:

1. Mr. Hui King Chun, Andrew is the founder and Chairman of the Group. The Company does not at present have any officer with the title "Chief Executive Officer" and Mr. Hui has assumed the role of both Chairman and Managing Director since the establishment of the Company, and is in charge of the overall management of the Company. The Board intends to maintain this structure in future as it believes that this structure can ensure efficient and effective formulation and implementation of business strategies without compromising the balance of power and authority between the Board and management of the Company. (Code Provision A.2.1)

2. All the independent non-executive directors are not appointed for specific term but are subject to retirement and rotation and re-election at the Company's Annual General Meeting in accordance with Article 87(1) of the Company's Bye-Laws. (Code Provision A.4.1)

The Board will review the current situation from time to time and shall make necessary arrangements when the Board considers appropriate.

AUDIT COMMITTEE

In accordance with the Appendix 14 of the Listing Rules, the Board established an Audit Committee since 1998 and the Audit Committee currently comprises three independent non-executive directors. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group, and discussed the financial reporting matters in respect of the unaudited interim financial statements.

REMUNERATION COMMITTEE

The Remuneration Committee includes the executive director, Mr. Hui King Chun, Andrew, and three independent non-executive directors, Mr. Ng Chi Yeung, Simon (chairman of the committee), Mr. Tam Yuk Sang, Sammy and Mr. Ho Lok Cheong. The Remuneration Committee has adopted terms of reference, which are in line with the Corporate Governance Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all directors of the Company have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30th June, 2011.

By Order of the Board
Hui King Chun, Andrew
Chairman

Hong Kong, 30th August, 2011