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

08 Annual Report

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
(appointed on 1 October 2008)

Independent Non-Executive Directors

Mr. Chan Yuk Tong, Jimmy
Ms. Chu Hak Ha, Mimi
Mr. Chan Chung Yuen, Lawrence

COMPANY SECRETARY

Mr. Wong Wai Kong, Elmen

AUDITORS

Ernst & Young
Certified Public Accountants

REGISTERED OFFICE

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

COMPANY WEBSITE

www.kamhingintl.com

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 BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Standard Chartered Bank (HK) Limited
Wing Hang Bank Limited
Citibank, N.A.
China Construction Bank

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Bank of Bermuda (Cayman) Limited
PO Box 513 GT, Strathvale House
North Church Street
George Town, Grand Cayman
Cayman Islands, British West Indies

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: 2307
CUSIP Reference Number: G5213T101

Financial Highlights and Summary

KEY FINANCIAL DATA

	Year ended/As at 31 December				
	2004	2005	2006	2007	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Revenue	1,315,650	1,499,403	2,013,889	2,230,764	**2,586,617**
Profit before tax	124,983	90,262	121,806	127,535	**91,656**
Tax	(20,221)	(11,312)	(20,659)	(17,617)	**(11,015)**
Profit attributable to ordinary equity holders of the Company	104,762	78,959	101,125	109,960	**81,700**
Dividends	10,240	19,840	25,600	27,698	**–**
Total assets	1,185,585	1,663,388	1,996,233	2,053,599	**2,600,829**
Total liabilities	(581,475)	(986,154)	(1,197,498)	(1,093,332)	**(1,409,405)**
Shareholders' funds	604,110	677,129	798,418	942,992	**1,148,119**

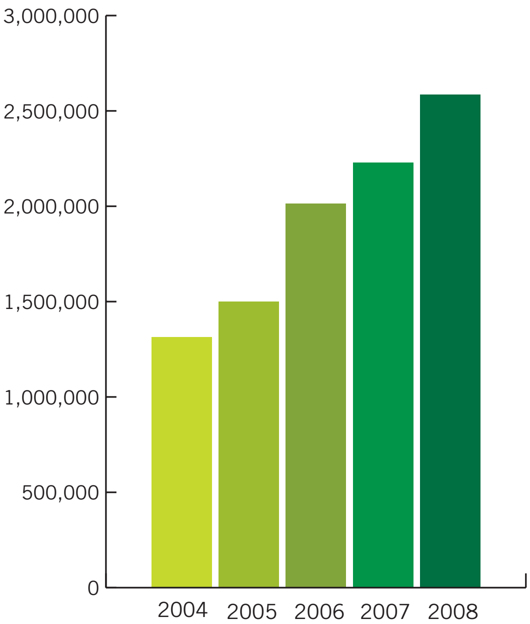
KEY FINANCIAL RATIOS

	Year ended/As at 31 December				
	2004	2005	2006	2007	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Revenue growth rate (%)	19.4%	14.0%	34.3%	10.8%	**16.0%**
Gross profit margin (%)	23.9%	22.6%	19.7%	19.7%	**18.6%**
Net profit margin (%)	8.0%	5.3%	5.0%	4.9%	**3.1%**
Current ratio (times)	1.3	1.4	1.0	1.4	**1.1**
Gearing ratio (net debt/ capital and net debt) (%)	42.5%	54.4%	55.3%	50.5%	**51.7%**

Financial Highlights and Summary

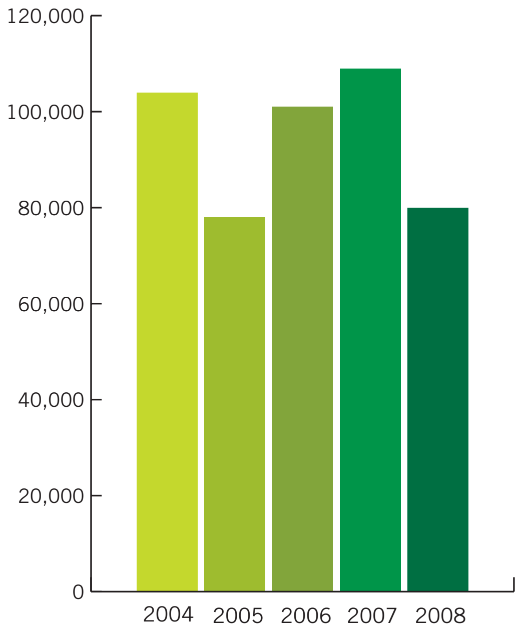
Revenue

HK$'000



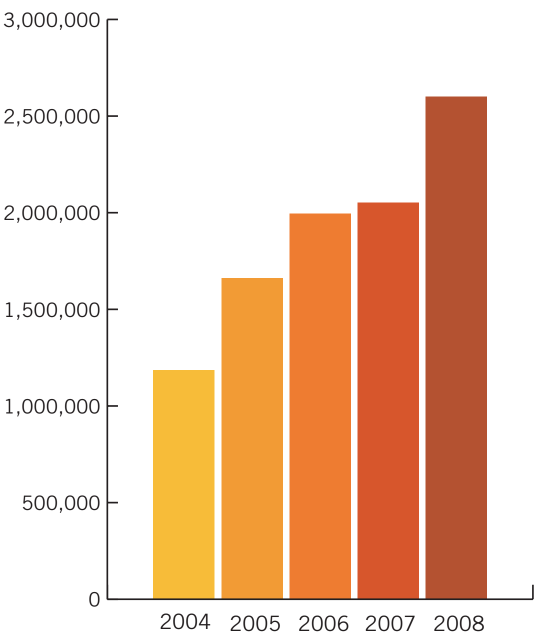
Profit attributable to ordinary equity holders of the company

HK$'000



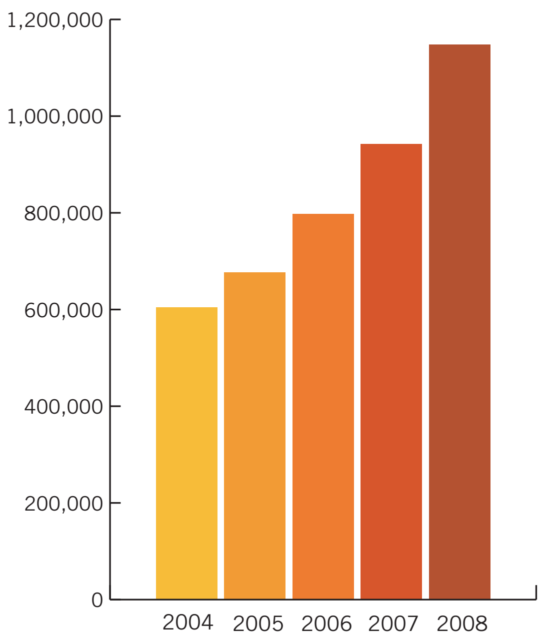
Total assets

HK$'000



Shareholders' funds

HK$'000



Chairman's Statement

On behalf of the board (the "Board") of directors (the "Directors") of Kam Hing International Holdings Limited (the "Company"), I am pleased to announce the audited annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2008.

The global economic downturn in the second half of 2008 has resulted in a number of negative changes in the PRC's textile industry, including but not limited to increase in raw material, transportation and fuel costs, significant surge in staff and welfare cost due to labour shortage. These trends have been further exasperated by the appreciation of the Renminbi and the reduction of value-added tax refund from 13% to 11%, putting additional pressure on the Group's operation throughout 2008.

FINANCIAL REVIEW

Under these challenging circumstances, the Group has strengthened its marketing and R&D capability, streamlined its production workflow and established a marketing office in Korea in May 2008 with the objective of increasing its competitiveness and to better serve its customers in the Asia Pacific region.

Revenue for the year ended 31 December 2008 reached HK$2,586.6 million, representing an increase of approximately 16.0% from the previous year. The increase is attributable to strong growth in orders from existing customers and orders from new clients in Korea, Malaysia and USA, with orders for fabrics with higher profit margins, as well as increase in sales for garment products. These changes have proved the flexibility of the Group in response to a changing market environment.

Gross profit margin decreased slightly from 19.7% in 2007 to 18.6% in 2008, attributable to the significant increase in production costs. Taking into account the cost of equity-settled share option expense of HK$14.5 million, which is recognised in accordance with the Hong Kong Financial Reporting Standard ("HKFRS") for the share option granted in November 2007, and the fair value loss of HK$12.0 million for interest rate swap, the Group's net profit attributable to shareholders for the year ended 31 December 2008 is HK$81.7 million, representing a decrease of 25.7% as compared to 2007. Excluding the above-mentioned non-operating expenses, i.e. the cost of equity-settled share option expense and the fair value loss of interest rate swap, the net profit reached HK$108.2 million, which is almost the same as the net profit in year 2007.

Chairman's Statement

BUSINESS REVIEW

Expansion of Production Capacity

To cater for increasing orders from existing and new customers, to improve production flexibility and to minimise outsourcings, the Group established the fabric factory, located in Enping, Guangdong Province during the year and the factory commenced production in March 2009, thereby increasing 30% of the Group's fabric production capacity. The additional production capacity enabled the Group to optimise the production workflow in order to ensure products are delivered to our customers in a timely manner.

During the year under review, turnover of our two garment factories in Madagascar went up 95.9% as compared to the previous corresponding year. Production process remains normal in spite of recent political issues in Madagascar.

Investment in a Spinning Factory in Hubei, PRC

Cotton yarn is the Group's major raw material and the cost of which has accounted for over 50% of the Group's turnover. In order to maintain a stable supply and the superior quality of cotton yarn, the Group decided to acquire 25% equity interest in a spinning factory located in Hubei, PRC in April 2008 at RMB32.5 million. In return, the spinning factory began to supply cotton yarn to the Group during the year under review. The acquisition has not only enabled the Group to further its vertical integration and reduce production lead-time, but also enhances the efficiency of the Group's production chain and added another competitive edge to the Group's business.

During the year, the Group decided to proceed cautiously the mining business development in response to the downturn of worldwide mineral market.

Chairman's Statement

OUTLOOK

Operating environment in the PRC is expected to continue to improve along with a stimulus package and supporting policies from the PRC Government. These include the increase of export value-added tax refund to 15% in February 2009 and further increased to 16% in April 2009 and stabilisation of Renminbi exchange rates.

Direct production cost, including the cotton yarn, chemical dyes and fuel prices continued to drop in early 2009. On the other hand, labour shortage has also eased up amidst the economic downturn to lower the production cost.

The Group is confident in its ability to seek new orders from both domestic and overseas markets via our strong marketing team and unrivalled research and development capability despite of the slowdown in the textile market in the US and Europe. We will also closely monitor the market situation and adjust marketing strategy accordingly.

With ongoing efforts to optimise the production process and the commencement of the second fabric factory in Enping, the Group will continuously seek to increase its production capacity, efficiency and productivity as well as further strengthen its cotton spinning and garment manufacturing operation. The horizontal and vertical diversifications will enhance the Group's long-term development and sustain the Group's profitability in the long run.

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude and thank our management team and our employees for their devotion and significant contribution to the development of the Group.

Tai Chin Chun
Chairman

Hong Kong
21 April 2009

Management Discussion and Analysis

OPERATIONAL AND FINANCIAL REVIEW

The Group is principally engaged in the manufacturing and selling of knitted fabrics, dyed yarn and garment products, which includes the production processes ranging from cotton spinning, knitting, yarn dyeing, fabric dyeing, final processing and garment manufacturing.

The Group has two production bases in the PRC and Madagascar. It has established self-sufficient production facilities including a water supply plant, a sewage treatment plant and a power and steam generating plant to ensure non-stop production at the manufacturing base in Panyu, PRC. In addition, the Group has established two garment factories in Madagascar and one in Panyu, respectively. These factories mainly produce finished knitted garment for major global retail chains. Most of the Group's fabric and dyed yarn are supplied to the Group's factories in Madagascar, Panyu, and other garment manufacturers in various countries around the world to be made into branded casual wear and sold in major global retail chains.

The Group established a marketing office in Korea in May 2008 to broaden its customer base and enhance its competitiveness in the international market. In addition, the Group acquired 25% equity interest in a spinning factory in Hubei, PRC in April 2008 at a consideration of RMB32.5 million to maintain a stable supply of superior quality cotton yarn.

During the year, the Group established a second fabric production factory in Enping, PRC, which commenced operation in March 2009. The new Enping factory has provided additional production capacity to support the continuous expansion of the Group's business in the fabric market.

During the review period, in response to the downturn of worldwide mineral market, the Group has also decided to proceed cautiously the development of mining business.

REVENUE

For the financial year ended 31 December 2008, the Group recorded a revenue of HK$2,586.6 million (2007: HK$2,230.8 million), representing an increase of 16.0% in comparison to the previous financial year. The increase in revenue was mainly attributable to the increase in sales to existing customers and new customers, and increase in sales from garment products.

GROSS PROFIT AND GROSS PROFIT MARGIN

Gross profit for the year ended 31 December 2008 was HK$482.3 million (2007: HK$438.8 million), representing an increase of 9.9% in comparison to the previous year. Gross profit margin was 18.6% in the current year, slightly decreased from 19.7% in last year. The narrowing of gross profit margin is mainly due to a general increase in production cost.

Management Discussion and Analysis

NET PROFIT AND NET PROFIT MARGIN

The Group's net profit attributable to shareholders for the financial year ended 31 December 2008 was HK$81.7 million (2007: HK$110.0 million), representing a year-on-year decrease of 25.7%. Net profit margin for the year ended 31 December 2008 was 3.1%, with a decrease from 4.9% in 2007. The fall in net profit margin was mainly due to the increase in operating and distribution costs, the cost of equity-settled share option expense of HK$14.5 million (2007: HK$2.9 million), which is recognised in accordance with the HKFRS for the share options granted in November 2007, and the fair value loss of HK$12.0 million (2007: Nil) from interest rate swap. The Group has entered into three-year interest rate swap with the banks during the year under review to fix the interest rate at around 2.7% for the amount of HK$450.0 million (2007: Nil), in order to minimise any potential financial impact arising from interest rate volatilities for the short term and long term bank borrowings. Excluding the above-mentioned non-operating expenses, i.e. the cost of equity-settled share option expense and the fair value loss of interest rate swap, the net profit margin of the Group would be 4.1% (2007: 5.1%), the narrowing of net profit margin was mainly attributable to the increase in operating costs and distribution expenses.

OTHER INCOME AND EXPENSE

Other income of approximately HK$10.5 million (2007: HK$22.3 million) mainly comprised HK$3.1 million (2007: HK$6.3 million) in shipping and handling charges generated by Kam Hing International Shipping Limited and its subsidiaries, HK$14.8 million (2007: HK$8.0 million) from the sales of excess steam generated by the power plant to the nearby factories in the district, as well as the fair value loss of HK$12.0 million (2007: Nil) from interest rate swap. The remaining balance was primarily the result of interest income, rental income, the sales of scrap materials and gain on foreign exchange contracts. Selling and distribution costs of HK$128.9 million (2007: HK$98.6 million) consisted of HK$109.5 million (2007: HK$86.2 million) in shipping and delivery costs, which represented an increase of 27.0% relative to the previous year and attributable to increase in turnover and freight charges. Administrative expenses, which included salaries, depreciation and other related expenses, increased by 27.3% year-on-year to HK$226.8 million (2007: HK$178.1 million). The increase was due to the cost of equity-settled share option expense of HK$14.5 million (2007: HK$2.9 million), which is recognised in accordance with the HKFRS for the share options granted in November 2007, as well as salary increment and improvement in staff welfare for the PRC factory resulting from labour shortage and expenses for additional administrative staff for the expansion of the Group's garment operation.

Finance costs, which mainly included interests on long-term loans from banks, short-term trust receipt loans and finance lease interest, decreased by 31.7% to HK$30.8 million (2007: HK$45.1 million) as compared with the previous year as a result of decrease in interest rates.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2008, the Group's net current assets were HK$57.9 million (2007: HK$271.9 million). The reduction in net current assets was mainly attributable to the re-classification of the current portion of a syndicated loan from banks due from 2009 to 2011, of which HK$145.2 million will be due in 2009 as current liability and HK$259.6 million will be due from 2010 to 2011 as non-current liability. The Group will constantly review and maintain a healthy financial position by financing its operations from internally-generated resources and long-term bank loans. As at 31 December 2008, the Group had cash and cash equivalents of HK$137.5 million (2007: HK$113.2 million). Current ratio of the Group was 1.1 times (2007: 1.4 times).

Total bank and other borrowings of the Group, as at 31 December 2008, were HK$959.0 million (2007: HK$782.1 million). Cash and cash equivalents of the Group were HK$137.5 million (2007: HK$113.2 million). The Group's net debt gearing ratio was maintained at a healthy level of approximately 51.7% (2007: 50.5%).

Debtors' turnover period, inventory turnover period and creditors' turnover period for the year were 53.3 days (2007: 54.3 days), 81.5 days (2007: 99.2 days) and 47.2 days (2007: 62.8 days), respectively. The decrease in the debtors' turnover period was due to early settlement of some customers as a result of better credit control. The decrease in the inventory turnover period was attributable to stringent inventory controls implemented during the year. The creditors' turnover period decreased was due to less purchase near year end as a result of stringent inventory control.

FINANCING

As at 31 December 2008, the total banking and loan facilities of the Group amounted to HK$2,153.1 million (2007: HK$2,375.2 million), of which HK$949.9 million (2007: HK$809.6 million) was utilised.

As at 31 December 2008, the Group's long-term loans were HK$363.4 million (2007: HK$414.9 million) comprising term loans from banks of HK$326.1 million (2007: HK$402.1 million) and long-term finance lease payable of HK$37.3 million (2007: HK$12.8 million). The decrease in long-term loan was mainly attributable to the classification of the current portion of a syndicated loan from banks due from 2009 to 2011.

The Group's long-term bank loans comprised loans drawn down by Kam Hing Piece Works Limited and Kam Wing International Textile Co., Ltd, which were not secured by any assets of the Group but by corporate guarantees provided by other members within the Group.

DIVIDEND

The Board does not recommend the payment of a final dividend to shareholders of the Company for the year ended 31 December 2008 (2007: HK4.3 cents per share).

CAPITAL STRUCTURE

There has been no change in the capital structure of the Company. The share capital of the Company comprises only ordinary shares.

FOREIGN EXCHANGE RISK AND INTEREST RATE RISK

75.1% (2007: 76.2%) of the Group's sales were denominated in US dollars. The remaining sales were denominated in Hong Kong dollars and Renminbi. The majority of the Group's cost of sales was denominated in US dollars, Hong Kong dollars and Renminbi. The Group is therefore exposed to foreign exchange risk arising from currency exposures, primarily with respect to Renminbi. Renminbi appreciated against other currencies in the first three quarter and became relatively stable in the fourth quarter of the year under review. The management closely monitors the foreign exchange movements and determines the appropriate hedging activities when necessary. Exchange rate of the other currencies was relatively stable throughout the year under review.

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 has entered into three-year interest rate swap with the banks during the year under review to fix the interest rate at around 2.7% for the amount of HK$450.0 million (2007: Nil). Attention will be paid to the interest rate movements. Other hedging instruments will be employed when necessary.

CHARGE ON GROUP'S ASSETS

As at 31 December 2008, certain items of property, plant and equipment of the Group with an aggregate net book value of HK$120.4 million (2007: HK$94.8 million) were under finance leases.

CAPITAL EXPENDITURE

During the year under review, the Group invested HK$382.2 million (2007: HK$199.5 million) in capital expenditure, of which 84.8% (2007: 80.1%) was used for the purchase of plant and machinery, 9.4% (2007: 12.9%) was used for the acquisition and construction of new factory premises, none (2007: 3.8%) was used for the acquisition of pieces of land in preparation for future production capacity expansion and the remaining was used for the purchase of other property, plant and equipment, as well as investment in a jointly controlled entity and an associate.

As at 31 December 2008, the Group had capital commitments of HK$65.1 million (2007: HK$129.5 million) in property, plant and equipment, which are to be funded by internal resources of the Group.

STAFF POLICY

The Group had 4,430 (2007: 4,150) employees in the PRC, 5,100 (2007: 4,680) employees in Madagascar and 140 (2007: 140) employees in Hong Kong, Macau, Singapore and Korea as at 31 December 2008. Remuneration packages are generally structured by reference to market terms and individual qualifications. 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.

Management Discussion and Analysis

The Group operates a defined contribution retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance as well as medical insurance for all its employees in Hong Kong. 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. Also, the Group is obliged to provide its employees in the PRC with welfare schemes covering various insurance and social benefits. Staff benefits are also provided to the staff working in other countries according to the respective countries' statutory requirements.

The Company maintains a share option scheme, pursuant to which share options are granted to select eligible participants, with a view to provide directors, employees and other persons an appropriate incentive package for the growth of the Group.

CONTINGENT LIABILITIES

As at 31 December 2008, the Company had contingent liabilities in relation to guarantees given to banks to secure credit facilities granted to certain subsidiaries amounting to HK$949.9 million (2007: HK$809.6 million). The Group also had bills discounted with recourse of HK$16.5 million (2007: HK$39.2 million). The Group had a contingent liability in respect of possible future long service payments to employees with a maximum possible amount of HK$1.6 million (2007: HK$1.5 million).

MAJOR CUSTOMERS AND SUPPLIERS

In the year ended 31 December 2008, sales to the five largest customers accounted for 42.0% (2007: 47.3%) of the total sales and sales to the largest customer included therein accounted for 12.3% (2007: 17.1%).

Purchases from the five largest suppliers accounted for 37.2% (2007: 37.6%) of the total purchases for the year and purchases from the largest supplier included therein accounted for 13.0% (2007: 11.8%).

None of the Directors, their respective associates (as defined in The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) or shareholders of the Company who own more than five percent of the issued share capital of the Company had any interest in the Group's five largest customers and/or suppliers during the year under review.

SEGMENT INFORMATION

In the year ended 31 December 2008, sales to the five largest regions (Singapore, Taiwan, Hong Kong, the PRC (other than Hong Kong and Macau) and USA) accounted for 85.5% (2007: 86.9%) of the total sales of the Group and sales to the largest region (Singapore) included therein accounted for 41.6% (2007: 48.4%) of the Group.

As at 31 December 2008, the Group's assets located in Hong Kong and the PRC (other than Hong Kong and Macau) accounted for 18.6% (2007: 15.0%) and 78.1% (2007: 80.8%) of the total assets of the Group, respectively. Capital expenditure in the PRC (other than Hong Kong and Macau) during the year ended 31 December 2008 accounted for 94.5% (2007: 93.1%) of the total capital expenditure of the Group.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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

New code provision (Code E.1.3) of the Code as set out in Appendix 14 of the Listing Rules has been introduced stipulating that notice of at least 20 clear business days be given for annual general meetings and 10 clear business days be given for all other general meetings, which has come into effect on 1 January 2009. In order to ensure full compliance with the code E.1.3, a special resolution will be proposed to amend the relevant provisions of the articles of association (the "Articles") of the Company at the forthcoming annual general meeting of the Company. Details of the amendments of the Articles are set out in the circular dispatched together with this annual report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code for securities transactions by directors (the "Directors") of the Company. Having made specific enquiry of all Directors, the Company has confirmed that the Directors have complied with the required standard set out in the Model Code for the year ended 31 December 2008.

BOARD OF DIRECTORS

As at 31 December 2008, the Board comprised nine Directors, including six executive Directors and three independent non-executive Directors. The term of office for all Directors (including the independent non-executive Directors) is specified for a term of three years subject to retirement by rotation and re-election at each annual general meeting under the Articles. Biographical details of the Directors are set out in the section headed "Profile of Directors and Senior Management" on pages 20 to 23 of the annual report.

The composition of the Board, by category, is set out below:

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. Chan Chung Yuen, Lawrence

Corporate Governance Report

There is no relationship among members of the Board except for the family relationship between Mr. Tai Chin Chun, Mr. Tai Chin Wen, Ms. Cheung So Wan and Ms. Wong Siu Yuk. Mr. Tai Chin Chun is the younger brother of Mr. Tai Chin Wen and their spouses are Ms. Cheung So Wan and Ms. Wong Siu Yuk, respectively.

The Board has a balance of skills and various expertise to direct and supervise the business affairs of the Group. The Board undertakes to monitor the performance of the Group's business operation and act in the best interests of the Group as a whole. The independent non-executive Directors exercise independent judgements and opinions on the Board's affairs through the contribution at board meetings and committee meetings. The management of the Company implements the strategic development and deals with certain operational matters of the Group under the delegation and authority of the Board.

During the year ended 31 December 2008, the Board convened four full board meetings and the individual attendance of each Director at these meetings is set out below:

Name of Director	*Notes*	**Attendance**	**Rate (%)**
Executive Directors:			
Mr. Tai Chin Chun *(Chairman)*		4/4	100%
Mr. Tai Chin Wen		4/4	100%
Ms. Cheung So Wan		4/4	100%
Ms. Wong Siu Yuk		4/4	100%
Mr. Chong Chau Lam		4/4	100%
Mr. Wong Wai Kong, Elmen	*(i)*	0/0	–
Independent Non-executive Directors:			
Mr. Chan Yuk Tong, Jimmy		4/4	100%
Ms. Chu Hak Ha, Mimi		3/4	75%
Mr. Chan Chung Yuen, Lawrence		4/4	100%
Mr. Ku Shiu Kuen, Anthony	*(ii)*	3/3	100%

Notes:

(i) Mr. Wong Wai Kong, Elmen was appointed as an executive Director of the Company on 1 October 2008.

(ii) Mr. Ku Shiu Kuen, Anthony resigned as an independent non-executive Director and a member of the remuneration committee, nomination committee and audit committee of the Company on 1 July 2008.

In order to enhance an active contribution to the Board's affairs by all Directors, the Chairman has arranged to convene a regular full board meeting at quarterly intervals to review the financial and operating performance of the Group. To ensure that good corporate governance practices and procedures are established, the Chairman has delegated the company secretary to draw up and approve the agenda for each board meeting. Notice of at least 14 days has been given to all Directors for a regular board meeting and the Directors can give ideas for discussion in advance in the agenda, if necessary. Draft and final minutes of all regular board meetings have been sent to the Directors for comment and records respectively within a reasonable time after the board meeting is held.

The Company has complied with Rules 3.10 (1) and (2) of the Listing Rules. The Board comprises three independent non-executive Directors, which represent one-third of the members of the Board. In addition, one of the independent non-executive Directors possesses the requisite appropriate professional accounting qualifications.

The Company has received from each independent non-executive Director an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive Directors to be independent.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The executive Directors, Mr. Tai Chin Chun and Mr. Tai Chin Wen, served as the Chairman and the Chief Executive Officer of the Company, respectively. Mr. Tai Chin Chun is the younger brother of Mr. Tai Chin Wen.

The roles of the Chairman and the Chief Executive Officer are segregated and not performed by the same individual. The Chairman is primarily responsible for the leadership of the Board and the formulation of overall strategic development of the Group, while the Chief Executive Officer is primarily responsible for the day-to-day management of the Group's business.

REMUNERATION COMMITTEE

The remuneration committee was established in September 2005. Terms of reference adopted by the remuneration committee are of no less exacting terms than those duties set out in the Code. The remuneration committee comprised three independent non-executive Directors, namely Ms. Chu Hak Ha, Mimi (Chairman), Mr. Chan Yuk Tong, Jimmy and Mr. Chan Chung Yuen, Lawrence, and two executive Directors, namely Mr. Tai Chin Chun and Mr. Tai Chin Wen. The remuneration committee is primarily responsible for reviewing and making recommendations to the Board on the remuneration packages of the Directors and senior management of the Company to ensure that such remuneration is reasonable and not excessive.

Corporate Governance Report

During the year ended 31 December 2008, the remuneration committee convened four meetings and the individual attendance of each committee member at these meeting is set out below:

Name of Director	*Note*	Attendance	Rate (%)
Independent Non-executive Directors:			
Ms. Chu Hak Ha, Mimi *(Chairman)*		3/4	75%
Mr. Chan Yuk Tong, Jimmy		4/4	100%
Mr. Chan Chung Yuen, Lawrence		4/4	100%
Mr. Ku Shiu Kuen, Anthony	*(i)*	3/3	100%
Executive Directors:			
Mr. Tai Chin Chun		4/4	100%
Mr. Tai Chin Wen		4/4	100%

Note:

(i) Mr. Ku Shiu Kuen, Anthony resigned as an independent non-executive Director and a member of the remuneration committee, nomination committee and audit committee of the Company on 1 July 2008.

The remuneration committee meetings were held to review and approve the salary increment for executive Directors and annual salary of executive Directors. In view that no Director or any of his/her associate should be involved in deciding his/her own remuneration in compliance with the principle of the Code, the relevant executive Directors were abstained from voting on this resolution in which they were materially interested in. The amounts paid to each director for the year are shown in note 8 to the financial statements.

NOMINATION COMMITTEE

The nomination committee was established in September 2005. Terms of reference adopted by the nomination committee are of no less exacting terms than those duties set out in the Code. The nomination committee comprised three independent non-executive Directors, namely Mr. Chan Chung Yuen, Lawrence (Chairman), Mr. Chan Yuk Tong, Jimmy and Ms. Chu Hak Ha, Mimi and two executive Directors, namely Mr. Tai Chin Chun and Mr. Tai Chin Wen. The nomination committee is primarily responsible for reviewing and making recommendations to the Board on the selection of board members to ensure that suitable individuals are nominated for filling vacancies on the directorships.

Corporate Governance Report

During the year ended 31 December 2008, the nomination committee convened two meeting and the individual attendance of each committee member at that meeting is set out below:

Name of Director	*Notes*	Attendance	Rate (%)
Independent Non-executive Directors:			
Mr. Chan Chung Yuen, Lawrence *(Chairman)*	*(i)*	2/2	100%
Mr. Chan Yuk Tong, Jimmy		2/2	100%
Ms. Chu Hak Ha, Mimi		2/2	100%
Mr. Ku Shiu Kuen, Anthony	*(ii)*	1/1	100%
Executive Directors:			
Mr. Tai Chin Chun		2/2	100%
Mr. Tai Chin Wen		2/2	100%

Notes:

(i) Mr. Chan Chung Yuen, Lawrence commenced to act as the new chairman of the nomination committee with effect from 26 May 2008.

(ii) Mr. Ku Shiu Kuen, Anthony ceased to act as the chairman of the nomination committee with effect from 26 May 2008 and resigned as an independent non-executive Director and a member of the remuneration committee, nomination committee and audit committee of the Company on 1 July 2008.

The nomination committee meeting was held to review the structure, size and composition including the skills, knowledge and experience of the Board. During the year under review, the nomination committee made recommendation to the Board on the selection of board members to ensure that suitable individual is nominated on the directorship and concluded that the current Board comprises a sufficient number of directors and is well balanced with each Director having sound knowledge, experience and/or expertise relevant to the business operations and development of the Group.

RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

The Directors are responsible for overseeing the preparation of financial statements for each financial period to ensure such financial statements give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. The Company's financial statements are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgment and estimates made are prudent and reasonable.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Corporate Governance Report

AUDITORS' REMUNERATION

For the year ended 31 December 2008, Ernst & Young, as the external auditors of the Company, have provided audit and non-audit services to the Group at the fee of approximately HK$1.88 million and HK$0.3 million, respectively.

The responsibilities of the external auditors of the Company are set out in the "Independent Auditors' Report" on page 34 of this report.

AUDIT COMMITTEE

The audit committee was established in August 2004. Terms of reference adopted by the audit committee are of no less exacting terms than those duties set out in the Code. The audit committee comprised 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 providing supervision over the Group's financial reporting process and internal controls.

During the year ended 31 December 2008, the audit committee convened three meetings and the individual attendance of each committee member at these meetings is set out below:

Name of Director	*Note*	**Attendance**	**Rate (%)**
Independent Non-executive Directors:			
Mr. Chan Yuk Tong, Jimmy *(Chairman)*		3/3	100%
Ms. Chu Hak Ha, Mimi		2/3	67%
Mr. Chan Chung Yuen, Lawrence		3/3	100%
Mr. Ku Shiu Kuen, Anthony	*(i)*	2/2	100%

Note:

(i) Mr. Ku Shiu Kuen, Anthony resigned as an independent non-executive Director and a member of the remuneration committee, nomination committee and audit committee of the Company on 1 July 2008.

The audit committee meetings were held to discuss with the management and/or the external auditors the accounting policies and internal controls adopted by the Group, as well as to review the interim and annual financial statements of the Group before recommending them to the Board for adoption and approval.

The audit committee made recommendation to the Board on the re-appointment of the external auditor.

INTERNAL CONTROLS

The Board is responsible for maintaining an adequate internal control system to safeguard shareholder investments and Company assets, and reviewing the effectiveness of the same on an annual basis.

The Group has an independent internal audit department. The independent internal audit department is primarily responsible for carrying out review of the internal control system and risk management process. This is part of the on-going process to ensure that the effectiveness of material controls is monitored.

During the year of 2008, the Board has conducted a review of the effectiveness of the internal control system of the Group covering all material controls, including financial, operational and compliance controls as well as risk management functions as required by the Code Provisions. The audit committee has also reviewed the internal control system of the Group and the findings of major investigations of internal control matters. The Group implements budget management with an aim to have better monitor on both business and financial performance. There was no significant incidence of failure in connection with financial, operational and compliance control during the year under review and the Board also considered that there are adequate staff with appropriate qualifications and experience, resources and budget of its accounting and financial reporting function, and adequate training programmes have been provided.

The Company has implemented a system of internal controls to provide reasonable assurance that assets are safeguarded, proper accounting records are maintained, appropriate legislation and regulations are complied with, reliable financial information are provided for management and publication purposes, investment and business risks are identified and managed, the Board will continue to review procedures implemented for assessing their effectiveness of the internal control system.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Company establishes different communication channels with shareholders and investors, including (i) dispatching printed copies of corporate communication documents to shareholders; (ii) the annual general meeting provides a forum for shareholders to raise comments and exchange views with the Board; (iii) regular press conferences and meetings with investors and analysts are set up from time to time on updated information of the Group, (iv) the Company's Registrars serve the shareholders on all share registration matters, and (v) maintain a corporate website, at which, comprehensive information, updates on the Company's business development and operations are provided.

Profile of Directors and Senior Management

BOARD OF DIRECTORS

Executive Directors

Mr. Tai Chin Chun (戴錦春), aged 47, is the Chairman and founder of the Group. He is in charge of the Group's corporate strategy, planning and overall development. He has more than 25 years of experience in the textile industry. Mr. Tai obtained the "World Outstanding Chinese Award 2008" and conferred an Honorary Doctor Degree by The University of West Alabama (Regional University), USA. Mr. Tai is a member of Guangdong Committee of CPPCC and Panyu District Committee of CPPCC (中國人民政治協商會議廣東省委員會委員、廣州市番禺區委員會委員). He has also been awarded honorary citizenship of Guangzhou Municipal, life honorary president of Fujian Tai's Clan Hong Kong Association, Hong Kong Panyu Commercial and Industrial Association and Panyu Charity Federation, Guangzhou Municipal (福建旅港戴氏宗親會永遠榮譽會長、香港番禺工商聯誼會永遠榮譽會長及廣州市番禺區慈善會永遠榮譽會長). Mr. Tai is the younger brother of Mr. Tai Chin Wen and the spouse of Ms. Cheung So Wan.

Mr. Tai Chin Wen (戴錦文), aged 53, is the Chief Executive Officer and founder of the Group. He is in charge of the Group's overall management. He has over 25 years of management experience in the manufacturing industry. Mr. Tai is a standing member of the Hubei Committee of CPPCC and member of Fujian Nan An Committee and Guangdong Enping Committee of CPPCC (中國人民政治協商會議南安市委員會委員、湖北省政協委員常務委員及廣東省恩平市政協常務委員). He is a Vice Chairman of Hubei-Africa Business Council (湖北省非洲民間商會副會長), Executive Director of Hubei Chinese Overseas Friendship Association (湖北省海外聯誼會常務理事), Vice Chairman of Guangdong Jiangmen City Association of Foreign Investment (廣東省江門市外商投資協會副會長) and President of Fujian Tai's Clan Hong Kong Association. (福建旅港戴氏宗親會會長). He has also been awarded honorary citizenship of Guangzhou Municipal and life honorary president of Hong Kong Fujian Nan An Association (香港福建南安公會永遠榮譽會長). Mr. Tai is the elder brother of Mr. Tai Chin Chun and the spouse of Ms. Wong Siu Yuk.

Ms. Cheung So Wan (張素雲), aged 45, is the executive Director of the Group. She is responsible for yarn sourcing, quality control and stock control in the Group, and assists in the overall management of the Group. Ms. Cheung joined the Group in November 1996 and has more than 15 years of experience in the textile industry. Ms. Cheung is the spouse of Mr. Tai Chin Chun.

Ms. Wong Siu Yuk (黃少玉), aged 47, is the executive Director of the Group. She is responsible for dyeing material sourcing, quality control and stock control in the Group, and assists in the overall management of the Group. Ms. Wong joined the Group in December 1996 and has more than 15 years of experience in the textile industry. Ms. Wong is the spouse of Mr. Tai Chin Wen.

Profile of Directors and Senior Management

Mr. Chong Chau Lam (莊秋霖), aged 59, is the executive Director of the Group. Mr. Chong obtained a higher diploma in Dyeing, Printing and Finishing Technology from the Hong Kong Technical College and a master degree of Business Administration from the University of East Asia. He is an associate member of both the Society of Dyers and Colourists and the Textile Institute in United Kingdom, and was awarded the Silver Medal by the Society of Dyers and Colourists in 1982. Prior to joining the Group on 30 March 2004, he worked as a senior lecturer at the Institute of Textiles and Clothing of the Hong Kong Polytechnic University and an engineer in a local textile company. Mr. Chong is also currently a member of the Dyeing and Finishing Special Committee, the China Textile Engineering Society, and an active technical consultant in the dyeing and finishing sector.

Mr. Wong Wai Kong, Elmen (黃偉桄), aged 43, is appointed as Executive Director of the Group on 1 October 2008. Mr. Wong is also the chief financial officer and company secretary of the Group and is responsible for the supervision and management of the Group's financial matters. Mr. Wong obtained a bachelor degree of Business Administration from the Hong Kong Baptist University, a master degree of Business Administration from the University of Sheffield and a master degree of Science in Business Information Technology from the Middlesex University. Prior to joining the Group in December 2002, Mr. Wong gained extensive financial experience in professional accounting and auditing for over 8 years. Mr. Wong is a fellow member of the Association of Chartered Certified Accountants, a practising fellow member of the Hong Kong Institute of Certified Public Accountants.

Independent Non-executive Directors

Mr. Chan Yuk Tong, Jimmy (陳育棠), aged 46. Mr. Chan obtained a bachelor degree in Commerce from the University of Newcastle in Australia and a master degree of Business Administration from the Chinese University of Hong Kong. He is a practising fellow member of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. Mr. Chan has over 20 years of experience in corporate finance, financial advisory and management, professional accounting and auditing. He is an executive director of Asia Cassava Resources Holdings Limited which is a listed company in Hong Kong. He is also a non-executive director of Vitop Bioenergy Holdings Limited and an independent non-executive director of Jia Sheng Holdings Limited (formerly known as Carico Holdings Limited), Daisho Microline Holdings Limited, Sichuan Xinhua Winshare Chainstore Company Limited, BYD Electronic (International) Company Limited and Global Sweeteners Holdings Limited, which are listed companies in Hong Kong. He is also an independent non-executive director of Anhui Conch Cement Company Limited, which is a listed company in Hong Kong and Shanghai. Mr. Chan was also an independent non-executive director of Luks Group (Vietnam Holdings) Company Limited (formerly known as Luks Industrial (Group) Limited) and China Pipe Group Limited (formerly known as World Trade Bun Kee Limited), listed companies in Hong Kong, during the period from 30 September 2004 to 1 December 2005 and during 1 January 2007 to 3 July 2007, respectively. Mr. Chan joined the Group on 30 March 2004.

Ms. Chu Hak Ha, Mimi (朱克遐), aged 45, is a solicitor practising in Hong Kong SAR and a partner of David Lo & Partners, a law firm in Hong Kong. Ms. Chu was also admitted as solicitor in England and Wales and solicitor and barrister in the Australian Capital Territory. Ms. Chu joined the Group on 30 March 2004.

Profile of Directors and Senior Management

Mr. Chan Chung Yuen, Lawrence (陳鍾元), aged 30, graduated from the University of Manchester, Institute of Science and Technology (UMIST) in England. Mr. Chan has 5 years of work experience in a brokerage firm in Hong Kong. He is also a director of two private companies in Hong Kong. Save as being an independent non-executive director of the company, he does not hold any position with other members of the Group. Mr. Chan has over 5 years of corporate finance, accounting and finance experience. Mr. Chan joined the Group on 1 July 2007.

Senior Management

Mr. Kung Wai Chung (龔衛忠), aged 51, is the deputy general manager of the Group and is responsible for the overall management and administration in the Group. Mr. Kung obtained a craft certificate in Tool and Die Making awarded by the Kwai Chung Technical Institute and a professional certificate in Business Management awarded by the Hong Kong Open University. Prior to joining the Group in November 1996, Mr. Kung has worked for textile companies for over 10 years. Mr. Kung is a brother-in-law of both Mr. Tai Chin Chun and Mr. Tai Chin Wen.

Mr. Wong Yi Ming (黃一鳴), aged 44, is the deputy managing director of Guangzhou Kam Hing Textile Dyeing Co., Limited (the "Guangzhou KH Textile"), a wholly-owned subsidiary of the Group, and is responsible for the overall management and administration of Guangzhou KH Textile. Mr. Wong obtained a master degree of Business Administration from the Zhongshan University. He has over 20 years of management experience in the textile industry. Prior to joining the Group in September 1997, Mr. Wong has worked for PRC companies for over 16 years, where he was responsible for financial and business management. Mr. Wong is the younger brother of Ms. Wong Siu Yuk.

Mr. Chin Tai Wing (錢棣榮), aged 58, is the Director and Chief Executive Officer of Kam Wing International Textile Company Limited (the "Kam Wing"), a subsidiary of the Group which is the holding company of the Group's fabric factory in Enping, PRC. Mr. Chin is in charge of the corporate development and management of the Kam Wing and its subsidiary. Mr. Chin has more than 30 years of experience in the textile industry and has been actively engaged in the textile business of dyeing, finishing, printing, knitting and sales of fabric. Mr. Chin joined the Group in January 2007. Mr. Chin is the father-in-law of a son of Mr. Tai Chin Wen.

Mr. Liu Zhi Gang (劉志剛), aged 42, is the factory manager of the fabric dyeing operation of Guangzhou KH Textile, and is responsible for the monitoring and management of the Group's fabric dyeing operation. Prior to joining the Group in July 1997, Mr. Liu has worked for dyeing companies for over 7 years.

Mr. Tai Chu Fa (戴住發), aged 56, is the deputy general manager of the knitting operation of Guangzhou KH Textile, and is responsible for the monitoring and management of the Group's knitting operation. Prior to joining the Group in December 1996, Mr. Tai has worked for knitting companies for over 25 years.

Mr. Wong Yin Ming (王燕明), aged 47, is the factory manager of the yarn dyeing operation of Guangzhou KH Textile and is responsible for the monitoring and management of the Group's yarn dyeing operation. Prior to joining the Group in June 2004, Mr. Wong has worked for dyeing companies for over 10 years.

Profile of Directors and Senior Management

Mr. Chan Ying Wah (陳映華), aged 53, is the production control manager of the knitting and dyeing operations of Guangzhou KH Textile and is responsible for the monitoring of the Group's knitting and dyeing production. Prior to joining the Group in January 2003, Mr. Chan worked for knitting companies for over 20 years.

Mr. Ho Yi Piu, Bill (何宜標), aged 40, is the director of Kam Hing Piece Works (S) Pte Limited, a wholly-owned subsidiary of the Group. Mr. Ho is the sales director in charge of the Group's sales and marketing function in the Singapore region. Mr. Ho obtained a diploma in Business Administration from the Society of Business Practitioners, Cheshire, United Kingdom. Prior to joining the Group in June 1999, Mr. Ho has worked for fabric trading companies and he has over 10 years of experience in the textile industry. Mr. Ho is a son-in-law of a brother of Mr. Tai Chin Chun and Mr. Tai Chin Wen.

Ms. Leung Mei Yin (梁美賢), aged 44, is the sales director in charge of the Group's sales and marketing function in the Hong Kong Region. Ms. Leung has over 20 years of experience in the textile industry. Ms. Leung joined the Group in December 2008.

Mr. Lam Hau Hei (林厚禧), aged 57, is the sales director in charge of the Group's sales and marketing function in the PRC region. Prior to joining the Group in November 2005, Mr. Lam has worked for technical services, production management and merchandising in knitting companies for over 30 years.

Mr. Tai Tang Tat (戴騰達), aged 28, is the director of Kam Hing Korea Limited, a subsidiary of the Group. Mr. Tai is the sales director in charge of sales and marketing function in the Korea region. Mr. Tai obtained a diploma in Computer Science from the Sydney Institute of Business and Technology, Australia. Mr. Tai is a son of Mr. Tai Chin Wen. Mr. Tai joined the Group in March 2002.

Mr. Lui Yuen Hang (雷遠航), aged 41, is the director of Kam Hing Madagascar and Kwok Hing Garment Madagascar, wholly-owned subsidiaries of the Group. Mr. Lui is the Chief Executive Officer of the Group's garment section in charge of the Group's garment operation. Prior to joining the Group is September 2006, Mr. Lui has over 5 years of experience in the textile and garment industries. Mr. Lui is a nephew of Ms. Wong Siu Tuk.

Mr. Pong Chi Ho, Terence (龐志豪), aged 39, is the senior sales and marketing manager of Kam Hing Global Garment Company Limited, a wholly-owned subsidiary of the Group, and is responsible for the sales and marketing of the Group's garment section. Mr. Pong obtained a certificate in Fashion and Clothing Manufacture awarded by the Hong Kong Polytechnic University. Prior to joining the Group in September 2006, Mr. Pong has worked for both garment factory and garment trading company and he has over 15 years of experience in the garment industry.

Report of the Directors

The directors present their report and the audited financial statements of the Company and of the Group for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 18 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2008 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 36 to 121.

The directors do not recommend the payment of any dividend in respect of the year.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, is set out on page 122. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Group during the year are set out in notes 14 and 15 to the financial statements, respectively.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in notes 31 and 32 to the financial statements, respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders of the Company.

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 year.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 33(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2008, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to HK$535,434,000. The amount of HK$535,434,000 includes the Company's share premium account and capital reserve of HK$530,884,000 in aggregate as at 31 December 2008, which may be distributed provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK$112,000.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 42.0% (2007: 47.3%) of the total sales and sales to the largest customer included therein accounted for 12.3% (2007: 17.1%). Purchases from the Group's five largest suppliers accounted for 37.2% (2007: 37.6%) of the total purchases for the year and purchases from the largest supplier included therein accounted for 13.0% (2007: 11.8%).

None of the directors or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and/or five largest suppliers during the year.

Report of the Directors

DIRECTORS

The directors during the year and as at the date of this report were:

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 (appointed on 1 October 2008)

Independent non-executive directors:
Ms. Chu Hak Ha, Mimi
Mr. Chan Yuk Tong, Jimmy
Mr. Chan Chung Yuen, Lawrence
Mr. Ku Shiu Kuen, Anthony (resigned on 1 July 2008)

In accordance with article 86(3) of the Company's articles of association, Mr. Wong Wai Kong, Elmen will only hold office until the forthcoming annual general meeting of the Company. Being eligible, Mr. Wong will offer himself for re-election at the forthcoming annual general meeting of the Company. In accordance with article 87(1) of the Company's articles of association, Mr. Tai Chin Chun, Ms. Wong Siu Yuk and Mr. Chan Yuk Tong, Jimmy, will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company. The independent non-executive directors are appointed for a term of three years.

The Company has received annual confirmations of independence from Ms. Chu Hak Ha, Mimi, Mr. Chan Yuk Tong, Jimmy and Mr. Chan Chung Yuen, Lawrence, and as at the date of this report still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors and the senior management of the Group are set out on pages 20 to 23 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors and the independent non-executive directors has a service contract with the Company for a term of three years and is subject to termination by either party by giving not less than three months' and one month's written notice, respectively, and in any events not later than the end of the initial term.

Under the service contracts, after each complete year of service, the remuneration payable to each of the executive directors may, subject to the discretion of the Board, be entitled to discretionary bonuses, with reference to their duties and responsibilities with the Company, their performance against corporate goals and objectives, the remuneration standard in the market and salaries paid by the comparable companies.

None of the directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

The directors' remuneration is subject to shareholders' approval at general meetings with reference to the recommendation of the Group's remuneration committee. The Group's emolument policies are formulated based on the performance of individual employees and are reviewed regularly. Subject to the Group's profitability, the Group may also provide a discretionary bonus to its employees as an incentive for their contribution to the Group. The primary goal of the remuneration policy with regard to the remuneration packages of the Group's executive directors is to enable the Group to retain and motivate executive directors by linking their compensation with performance as measured against corporate objectives achieved.

The principal elements of the Group's remuneration packages include basic salaries, discretionary bonuses, housing benefits and share option benefits.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in the related party transactions disclosures in note 38 to the financial statements, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2008, the interests and short positions of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (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 of the Company:

Name of director	*Notes*	Capacity and nature of interest	Number of shares	Approximate percentage of the Company's issued share capital
Mr. Tai Chin Chun	*1*	Through controlled corporation	382,600,000	59.36
Mr. Tai Chin Wen	*2*	Through controlled corporation	96,000,000	14.89
Ms. Cheung So Wan	*3*	Through spouse	382,600,000	59.36
Ms. Wong Siu Yuk	*4*	Through spouse	96,000,000	14.89
Mr. Chong Chau Lam		Directly beneficially owned	300,000	0.05
Mr. Chan Chung Yuen, Lawrence		Directly beneficially owned	1,100,000	0.17

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(continued)*

Long positions in share options of the Company:

Name of director	Number of options directly beneficially owned
Mr. Tai Chin Chun	3,000,000
Mr. Tai Chin Wen	2,000,000
Ms. Cheung So Wan	1,000,000
Ms. Wong Siu Yuk	1,000,000
Mr. Wong Wai Kong, Elmen	6,100,000
	13,100,000

Long position in shares of an associated corporation:

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

Notes:

1. The shares are held by Exceed Standard, a company incorporated in the British Virgin Islands (the "BVI") and beneficially owned by Mr. Tai Chin Chun, the chairman and an executive director of the Company. Mr. Tai Chin Chun is the younger brother of Mr. Tai Chin Wen and Ms. Cheung So Wan is the spouse of Mr. Tai Chin Chun.

2. The shares are held by Power Strategy Limited ("Power Strategy"), a company incorporated in the BVI and beneficially owned by Mr. Tai Chin Wen.

3. Ms. Cheung So Wan is deemed to be interested in these shares through the interest of her spouse, Mr. Tai Chin Chun, under the SFO.

4. Ms. Wong Siu Yuk is deemed to be interested in these shares through the interest of her spouse, Mr. Tai Chin Wen, under the SFO.

Save as disclosed above, as at 31 December 2008, none of the directors 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.

Report of the Directors

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section "Directors' interests and short positions in shares and underlying shares" above and in the section "Share option scheme" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

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. Further details of the Scheme are disclosed in note 32 to the financial statements.

The following table discloses movements in the Company's share options outstanding during the year:

Name of category of participant	Number of share options: At 1 January 2008	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Reclassified during the year	At 31 December 2008	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$ per share	Price of the Company's shares at the grant date of options*** HK$ per share
Directors											
Mr. Tai Chin Chun	3,000,000	–	–	–	–	–	3,000,000	6 October 2004	6 October 2005 to 5 October 2014	1.28	1.24
Mr. Tai Chin Wen	2,000,000	–	–	–	–	–	2,000,000	6 October 2004	6 October 2005 to 5 October 2014	1.28	1.24
Ms. Cheung So Wan	1,000,000	–	–	–	–	–	1,000,000	6 October 2004	6 October 2005 to 5 October 2014	1.28	1.24
Ms. Wong Siu Yuk	1,000,000	–	–	–	–	–	1,000,000	6 October 2004	6 October 2005 to 5 October 2014	1.28	1.24
Mr. Wong Wai Kong, Elmen#	–	–	–	–	–	1,000,000	1,000,000	6 October 2004	6 October 2005 to 5 October 2014	1.28	1.24
	–	–	–	–	–	5,100,000	5,100,000	2 November 2007	2 November 2008 to 1 February 2009	2.47	2.34
Subtotal	7,000,000	–	–	–	–	6,100,000	13,100,000				

Report of the Directors

SHARE OPTION SCHEME *(continued)*

Name of category of participant	Number of share options: At 1 January 2008	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Reclassified during the year	At 31 December 2008	Date of grant of share options*	Exercise period of share options	Exercise price of share options** *HK$ per share*	Price of the Company's shares at the grant date of options*** *HK$ per share*
Non-director employees											
In aggregate	9,787,000	–	(435,000)	–	(5,000)	(1,000,000)	8,347,000	6 October 2004	6 October 2005 to 5 October 2014	1.28	1.24
	39,950,000	–	–	–	–	(5,100,000)	34,850,000	2 November 2007	2 November 2008 to 1 February 2009	2.47	2.34
	49,737,000	–	(435,000)	–	(5,000)	(6,100,000)	43,197,000				
Others											
In aggregate	540,000	–	(20,000)	–	–	–	520,000	6 October 2004	6 October 2005 to 5 October 2014	1.28	1.24
	2,500,000	–	–	–	–	–	2,500,000	2 November 2007	2 November 2008 to 1 February 2009	2.47	2.34
	3,040,000	–	(20,000)	–	–	–	3,020,000				
Total	59,777,000	–	(455,000)	–	(5,000)	–	59,317,000				

* The vesting period of the share options is from the date of grant until the commencement of the exercise period.

** 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.

*** 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.

Mr. Wong Wai Kong, Elmen was appointed as an executive director of the Company on 1 October 2008. On 1 January 2008, Mr. Wong held a total of 6,100,000 share options in the capacity of employee which were reclassified from the category of "Non-director employees" to "Directors" during the year.

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 31 December 2008, the following persons (not being directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long positions:

Name	**Capacity and nature of interest** *(Note)*	**Number of ordinary shares held**	**Percentage of the Company's issued share capital**
Exceed Standard	Directly beneficially owned	382,600,000	59.36
Power Strategy	Directly beneficially owned	96,000,000	14.89

Note: The relationship between Exceed Standard and Mr. Tai Chin Chun, as well as that between Power Strategy and Mr. Tai Chin Wen are disclosed in the notes under the section headed "Directors' interests and short positions in shares and underlying shares" above.

The details of the share options outstanding during the year are separately disclosed in the section "Share option scheme" above.

Save as disclosed above, as at 31 December 2008, no person, other than the directors, 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 a 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.

DISCLOSURES PURSUANT TO RULE 13.21 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE (THE “LISTING RULES”)

In accordance with the requirements of Rule 13.21 of the Listing Rules, disclosure is required in respect of the loan agreement of a subsidiary of the Company, which contains covenants requiring performance obligations of the controlling shareholders of the Company. Pursuant to a loan agreement dated 13 April 2007 entered into between the Company as the guarantor, a wholly-owned subsidiary of the Company as the borrower and a syndicate of banks for a four-year loan facility of HK$440 million, an event of default would arise if (a) Mr. Tai Chin Chun and Mr. Tai Chin Wen, the ultimate controlling shareholder and substantial shareholder, respectively, cease to collectively and beneficially (either directly or indirectly) own 51% of the voting share capital in the Company; or (b) any member of the Group or its management, business or operations is not or ceases to be controlled by both of Mr. Tai Chin Chun and Mr. Tai Chin Wen.

Upon the occurrence of an event of default, the lenders may declare that all or part of the loan outstanding together with accrued interest and all other amounts accrued be immediately due and payable; and/or the facility under the loan agreement shall immediately be cancelled.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company’s total issued share capital was held by the public as at the date of this report.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting of the Company.

ON BEHALF OF THE BOARD

Tai Chin Chun
Chairman

Hong Kong
21 April 2009

Independent Auditors' Report

ERNST & YOUNG
安永

To the shareholders of **Kam Hing International Holdings Limited**
(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements of Kam Hing International Holdings Limited set out on pages 36 to 121, which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditors' Report (continued)

To the shareholders of **Kam Hing International Holdings Limited**
(Incorporated in the Cayman Islands with limited liability)

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong
21 April 2009

Consolidated Income Statement

Year ended 31 December 2008

	Notes	**2008 HK$'000**	2007 HK$'000
REVENUE	5	**2,586,617**	2,230,764
Cost of sales		**(2,104,285)**	(1,791,926)
Gross profit		**482,332**	438,838
Other income and gains, net	5	**10,485**	22,308
Selling and distribution costs		**(128,926)**	(98,635)
Administrative expenses		**(226,756)**	(178,075)
Other operating expenses, net		**(13,435)**	(11,800)
Finance costs	6	**(30,815)**	(45,101)
Share of profit less losses of a jointly-controlled entity		**(729)**	–
Share of profit less losses of associates		**(500)**	–
PROFIT BEFORE TAX	7	**91,656**	127,535
Tax	10	**(11,015)**	(17,617)
PROFIT FOR THE YEAR		**80,641**	109,918
Attributable to:			
Ordinary equity holders of the Company	11	**81,700**	109,960
Minority interests		**(1,059)**	(42)
		80,641	109,918
DIVIDEND – Proposed final	12	**–**	27,698
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic		**HK12.7 cents**	HK17.2 cents
Diluted		**N/A**	N/A

Consolidated Balance Sheet

31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**1,397,747**	1,043,504
Investment properties	15	**–**	–
Prepaid land lease payments	16	**63,458**	58,380
Intangible assets	17	**2,973**	2,105
Interest in a jointly-controlled entity	19	**10,941**	–
Interests in associates	20	**1,100**	–
Deposits paid	21	**21,436**	–
Deferred tax assets	30	**–**	–
Total non-current assets		**1,497,655**	1,103,989
CURRENT ASSETS			
Inventories	22	**448,019**	491,150
Accounts and bills receivable	23	**459,337**	296,300
Prepayments, deposits and other receivables		**24,103**	28,374
Equity investment at fair value through profit or loss	24	**349**	703
Derivative financial instruments	27	**1,459**	6,913
Due from minority shareholders	38(c)(i)	**20,258**	101
Due from an associate	20	**3,287**	–
Pledged deposits	25	**8,823**	12,887
Cash and cash equivalents	25	**137,539**	113,182
Total current assets		**1,103,174**	949,610
CURRENT LIABILITIES			
Accounts and bills payable	26	**312,017**	232,280
Accrued liabilities and other payables		**97,108**	60,131
Derivative financial instruments	27	**20,032**	4,842
Tax payable		**20,532**	13,280
Bank advances for discounted bills	23	**71,088**	39,025
Interest-bearing bank and other borrowings	28	**524,450**	328,116
Total current liabilities		**1,045,227**	677,674
NET CURRENT ASSETS		**57,947**	271,936
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,555,602**	1,375,925
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	28	**363,412**	414,946
Deferred tax liabilities	30	**766**	712
Total non-current liabilities		**364,178**	415,658
Net assets		**1,191,424**	960,267

Consolidated Balance Sheet (continued)

31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital	*31*	**64,458**	64,413
Reserves	*33(a)*	**1,083,661**	850,881
Proposed final dividend	*12*	**–**	27,698
		1,148,119	942,992
Minority interests		**43,305**	17,275
Total equity		**1,191,424**	960,267

Tai Chin Chun
Director

Tai Chin Wen
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2008

		Attributable to ordinary equity holders of the Company										
	Notes	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$'000	Proposed final dividend HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 January 2008		64,413	128,237	6,833	104,804	27,803	92,034	491,170	27,698	942,992	17,275	960,267
Exchange realignment		–	–	–	–	–	136,035	–	–	136,035	–	136,035
Total income and expense for the year recognised directly in equity		–	–	–	–	–	136,035	–	–	136,035	–	136,035
Profit for the year		–	–	–	–	–	–	81,700	–	81,700	(1,059)	80,641
Total income and expense for the year		–	–	–	–	–	136,035	81,700	–	217,735	(1,059)	216,676
Final 2007 dividend declared		–	–	–	–	–	–	–	(27,698)	(27,698)	–	(27,698)
Contribution from minority shareholders		–	–	–	–	–	–	–	–	–	27,089	27,089
Issue of shares	*31*	45	537	–	–	–	–	–	–	582	–	582
Transfer to share premium account upon exercise of share options	*31*	–	103	(103)	–	–	–	–	–	–	–	–
Equity-settled share option arrangements	*32*	–	–	14,508	–	–	–	–	–	14,508	–	14,508
Transfer to statutory surplus reserve		–	–	–	–	2,703	–	(2,703)	–	–	–	–
Transfer to retained profits		–	–	(1)	–	–	–	1	–	–	–	–
At 31 December 2008		64,458	128,877*	21,237*	104,804*	30,506*	228,069*	570,168*	–	1,148,119	43,305	1,191,424

* These reserve accounts comprise the consolidated reserves of HK$1,083,661,000 (2007: HK$850,881,000) in the consolidated balance sheet of the Group as at 31 December 2008.

Consolidated Statement of Changes in Equity (continued)

Year ended 31 December 2008

		Attributable to ordinary equity holders of the Company										
		Issued capital	Share premium account	Share option reserve	Capital reserve	Statutory surplus reserve	Exchange fluctuation reserve	Retained profits	Proposed final dividend	Total	Minority interests	Total equity
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2007		64,000	122,429	5,300	104,804	23,204	40,004	413,077	25,600	798,418	317	798,735
Exchange realignment		–	–	–	–	–	52,030	–	–	52,030	–	52,030
Total income and expense for the year recognised directly in equity		–	–	–	–	–	52,030	–	–	52,030	–	52,030
Profit for the year		–	–	–	–	–	–	109,960	–	109,960	(42)	109,918
Total income and expense for the year		–	–	–	–	–	52,030	109,960	–	161,990	(42)	161,948
Final 2006 dividend declared		–	–	–	–	–	–	–	(25,600)	(25,600)	–	(25,600)
Contribution from minority shareholders		–	–	–	–	–	–	–	–	–	17,000	17,000
Proposed final 2007 dividend	*12*	–	–	–	–	–	–	(27,698)	27,698	–	–	–
Issue of shares	*31*	413	4,871	–	–	–	–	–	–	5,284	–	5,284
Transfer to share premium account upon exercise of share options	*31*	–	937	(937)	–	–	–	–	–	–	–	–
Equity-settled share option arrangements	*32*	–	–	2,900	–	–	–	–	–	2,900	–	2,900
Transfer to statutory surplus reserve		–	–	–	–	4,599	–	(4,599)	–	–	–	–
Transfer to retained profits		–	–	(430)	–	–	–	430	–	–	–	–
At 31 December 2007		64,413	128,237*	6,833*	104,804*	27,803*	92,034*	491,170*	27,698	942,992	17,275	960,267

* These reserve accounts comprise the consolidated reserves of HK$850,881,000 in the consolidated balance sheet of the Group as at 31 December 2007.

Consolidated Cash Flow Statement

Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**91,656**	127,535
Adjustments for:			
Share of profit less losses of a jointly-controlled entity		**729**	–
Share of profit less losses of associates		**500**	–
Bank interest income	5	**(585)**	(1,397)
Fair value (gains)/losses, net:			
Equity investment at fair value through profit or loss	5	**354**	679
Derivative financial instruments – transactions not qualified as hedges and matured during the year	5	**(8,187)**	(20)
Derivative financial instruments – transactions not qualified as hedges and not yet matured	5	**18,573**	(2,071)
Finance costs	6	**29,627**	41,810
Amortisation of bank charges on a syndicated loan	6	**1,188**	3,291
Depreciation of items of property, plant and equipment	7	**126,156**	90,690
Amortisation of prepaid land lease payments	7	**1,440**	1,211
Amortisation of intangible assets	7	**384**	–
Loss/(gain) on disposal of items of property, plant and equipment	7	**(45)**	313
Impairment of accounts receivable	7	**8,744**	1,618
Write back of impairment allowance for accounts receivable	7	**(317)**	(112)
Equity-settled share option expense	32	**14,508**	2,900
		284,725	266,447
Decrease/(increase) in inventories		**43,131**	(7,803)
Decrease/(increase) in accounts and bills receivable		**(171,464)**	69,590
Increase in prepayments, deposits and other receivables	34(c)	**(16,232)**	(18,880)
Increase in an amount due from an associate		**(3,287)**	–
Decrease in amounts due from minority shareholders	34(b)	**33**	39
Increase/(decrease) in accounts and bills payable		**79,737**	(152,377)
Increase in accrued liabilities and other payables		**36,977**	14,329
Proceeds from derivative financial instruments – transactions not qualifying as hedges		**10,258**	20
Cash generated from operations		**263,878**	171,365
Interest received		**585**	1,397
Interest paid		**(28,444)**	(38,523)
Interest element of finance lease rental payments		**(1,183)**	(3,287)
Hong Kong profits tax paid		**(3,542)**	(13,674)
Overseas taxes paid		**(167)**	(6,988)
Net cash inflow from operating activities		**231,127**	110,290

Consolidated Cash Flow Statement (continued)

Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Net cash inflow from operating activities		**231,127**	110,290
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	*34(a)*	**(316,030)**	(190,013)
Prepayment of land leases		**–**	(7,500)
Proceeds from disposal of items of property, plant and equipment		**1,424**	881
Additions to intangible assets	*17*	**(1,012)**	(2,000)
Additions to deposits paid	*34(c)*	**(706)**	–
Capital contribution to a jointly-controlled entity		**(11,670)**	–
Capital contribution to an associate		**(1,600)**	–
Decrease/(increase) in pledged time deposits		**4,064**	(10,735)
Contribution from minority shareholders	*34(b)*	**6,899**	17,000
Net cash outflow from investing activities		**(318,631)**	(192,367)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase/(decrease) in bank advances for discounted bills		**32,063**	(46,771)
Proceeds from issue of shares	*31*	**582**	5,284
Capital element of finance lease rental payments		**(26,046)**	(33,653)
Drawdown of bank loans		**1,701,006**	1,593,892
Repayment of bank loans		**(1,583,206)**	(1,484,635)
Dividend paid		**(27,698)**	(25,600)
Net cash inflow from financing activities		**96,701**	8,517
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**9,197**	(73,560)
Cash and cash equivalents at beginning of year		**113,182**	193,076
Effect of foreign exchange rate changes, net		**15,160**	(6,334)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**137,539**	113,182
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*25*	**137,539**	113,182

Balance Sheet

31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	18	**402,285**	402,207
CURRENT ASSETS			
Due from subsidiaries	18	**218,832**	221,941
Cash and cash equivalents	25	**293**	5,444
Total current assets		**219,125**	227,385
CURRENT LIABILITIES			
Accruals		**203**	330
Due to a subsidiary	18	**78**	–
Total current liabilities		**281**	330
NET CURRENT ASSETS		**218,844**	227,055
Net assets		**621,129**	629,262
EQUITY			
Issued capital	31	**64,458**	64,413
Reserves	33(b)	**556,671**	537,151
Proposed final dividend	12	**–**	27,698
Total equity		**621,129**	629,262

Tai Chin Chun
Director

Tai Chin Wen
Director

Notes to Financial Statements

31 December 2008

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 26 November 2003 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The principal place of business of the Company is located at Units 1-9, 8/F, Lucida Industrial Building, 43-47 Wang Lung Street, Tsuen Wan, New Territories, Hong Kong. The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 18 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

In the opinion of the directors, the ultimate holding company of the Company is Exceed Standard Limited ("Exceed Standard"), which is incorporated in the British Virgin Islands (the "BVI").

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for an equity investment and derivative financial instruments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2008. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new interpretations and amendments to HKFRSs for the first time for the current year's financial statements.

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures – Reclassification of Financial Assets*
HK(IFRIC)-Int 11	*HKFRS 2 – Group and Treasury Share Transactions*
HK(IFRIC)-Int 12	*Service Concession Arrangements*
HK(IFRIC)-Int 14	*HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

The adoption of these new interpretations and amendments has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards [2]
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* [1]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations* [1]
HKFRS 3 (Revised)	*Business Combinations* [2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosure about Financial Instruments* [1]
HKFRS 8	*Operating Segments* [1]
HKAS 1 (Revised)	*Presentation of Financial Statements* [1]
HKAS 23 (Revised)	*Borrowing Costs* [1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements* [2]
HKAS 32 and 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* [1]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* [2]
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* [5]

Notes to Financial Statements

31 December 2008

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

HK(IFRIC)-Int 13	*Customer Loyalty Programmes* [3]
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate* [1]
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation* [4]
HK(IFRIC)-Int 17	*Distribution of Non-cash Assets to Owners* [2]
HK(IFRIC)-Int 18	*Transfers of Assets from Customers* [2]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs** which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to HKFRS 5 which is effective for annual periods beginning on or after 1 July 2009, the amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 July 2008
4 Effective for annual periods beginning on or after 1 October 2008
5 Effective for annual periods beginning on or after 30 June 2009

* Improvements to HKFRSs contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

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 while the adoption of HKFRS 7 Amendments, HKFRS 8 and HKAS 1 (Revised) may result in new or amended disclosures and the adoption of HKAS 23 (Revised) may result in changes in accounting policies, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39 *Financial Instruments: Recognition and Measurement*, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly-controlled entity

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's interest in a jointly-controlled entity is stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of a jointly-controlled entity is included in the consolidated income statement and consolidated reserves, respectively.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Company or its holding company;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation *(continued)*

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Land and buildings	5% or over the lease terms, whichever is shorter
Plant and machinery	10%
Furniture, fixtures and office equipment	20%
Motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment or investment properties when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are stated at cost less accumulated depreciation and any impairment losses. The cost of investment properties comprises their purchase price, including transaction costs.

Depreciation is calculated on the straight-line basis to write off the cost of each of the investment properties to its residual value over its estimated useful life at an annual rate of 5%.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year in which they arise.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties *(continued)*

For a transfer from investment properties to owner-occupied properties, the deemed cost of properties for subsequent accounting is the net carrying value at the date of change in use.

Intangible assets (other than goodwill)

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

Exploration licences and assets

Exploration licences and assets are stated at cost less impairment losses. Exploration licences and assets include the cost of acquiring exploration licences, topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies, and expenditure incurred to secure further mineralisation in existing ore bodies and to expand the capacity of a mine.

Exploration licence is amortised on the straight-line basis over the estimated useful life of six years. Expenditure incurred prior to accruing legal rights to explore an area is written off as incurred.

When it can be reasonably ascertained that an exploration property is capable of commercial production, exploration and evaluation costs capitalised are transferred to either mining infrastructure or mining rights and reserves and depreciated/amortised by the appropriate method based on the proven and probably mineral reserves. Exploration licences and assets are written off to the income statement if the exploration property is abandoned.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as either financial assets at fair value through profit or loss or loans and receivables, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policy set out for "Revenue recognition" below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

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31 December 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to accounts receivable, an impairment allowance is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivable is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets *(continued)*

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities including accounts, bills and other payables, interest-bearing bank and other borrowings, bank advances for discounted bills and other monetary liabilities are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "Finance costs" in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interest charged on these financial liabilities.

Notes to Financial Statements

31 December 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Borrowing costs

Borrowing costs are recognised as expenses in the income statement in the period in which they are incurred.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Derivative financial instruments and hedging

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the income statement.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments and reference to the present value of estimated future cash flows.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in "Finance costs" in the income statement.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and a jointly-controlled entity, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and a jointly-controlled entity's deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

(ii) from the rendering of services, when the relevant services have been rendered;

(iii) rental income, on a time proportion basis over the lease terms;

(iv) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

(v) dividend income, when the shareholder's right to receive payment has been established.

Employee benefits

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external professionally qualified valuer using the Binomial/Black-Scholes option pricing models, further details of which are given in note 32 to the financial statements. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Notes to Financial Statements

31 December 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

Share-based payment transactions (continued)

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

The Group has adopted the transitional provisions of HKFRS 2 in respect of equity-settled awards and has applied HKFRS 2 only to equity-settled awards granted after 7 November 2002 that had not vested by 1 January 2005.

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Hong Kong Employment Ordinance.

A contingent liability is disclosed in respect of possible future long service payments to employees, as a number of current employees have achieved the required number of years of service to the Group to the balance sheet date, in order to be eligible for long service payments under the Hong Kong Employment Ordinance if their employment is terminated in the circumstances specified. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

Pension schemes and other retirement benefits

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Staff benefits are also provided to the staff working in other countries according to the respective countries' statutory requirements.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheets, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Notes to Financial Statements

31 December 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries and a jointly-controlled entity are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Research and development costs

All research costs are charged to the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Carrying value of leasehold land element in relation to the entire leasehold land and buildings

The Group determines that the carrying value of the land element of the leasehold land and buildings held in Hong Kong in relation to the value of the entire lease is insignificant and cannot be reliably allocated. Accordingly, the leasehold land and buildings held in Hong Kong was treated as a single unit and accounted for under HKAS 16 *Property, Plant and Equipment*.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately, the Group accounts for the portions separately. If these portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Otherwise, the property is classified as an owner-occupied property.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Notes to Financial Statements

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Judgements *(continued)*

Impairment of assets

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by the management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

Withholding taxes arising from the distributions of dividends

The Group's determination as to whether to accrue for withholding taxes arising from the distributions of dividends from certain subsidiaries according to the relevant tax jurisdictions is subject to judgement on the timing of the payment of the dividend. The Group considered that if the profits will not be distributed in the foreseeable future, then no withholding taxes should be provided.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, which may cause an adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment allowance for accounts and bills receivable

The Group makes impairment allowance for accounts and bills receivable based on an assessment of the recoverability of accounts and bills receivable. Allowances are applied to accounts and bills receivable where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of accounts and bills receivable and doubtful debt expenses in the year in which such estimate has been changed.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Impairment of exploration licences and assets

The carrying value of exploration licences and assets is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with the accounting policy as disclosed in note 2.4 to the financial statements. The recoverable amount of these assets, or where appropriate, the cash-generating unit to which they belong, is the higher of its fair value less costs to sell and value in use. Estimating the value in use requires the Group to estimate the expected future cash flows from the cash-generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows. At 31 December 2008, the aggregate carrying value of exploration licences and assets was HK$2,973,000 (2007: HK$2,105,000) as set out in note 17 to the financial statements.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by geographical segment; and (ii) on a secondary segment reporting basis, by business segment.

Each of the Group's geographical segments, based on the location of customers (the destination of sales), represents a strategic business unit that offers products to customers located in different geographical areas which are subject to risks and returns that are different from those of the other geographical segments. The Group's customer-based geographical segments are as follows:

(a) Singapore;

(b) Taiwan;

(c) Hong Kong;

(d) The People's Republic of China (other than Hong Kong and Macau) (the "PRC");

(e) United States of America (the "USA"); and

(f) Others.

Notes to Financial Statements

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4. SEGMENT INFORMATION *(continued)*

In addition, segment assets and capital expenditure are further analysed by the geographical location of the assets (the origin of sales), where the Group's assets are located in different geographical areas from its customers, and where segment revenue from external customers or segment assets are 10% or more of the Group's total amount. The Group's asset-based geographical segments are Singapore, Hong Kong, the PRC (other than Hong Kong and Macau) and Others.

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 business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

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

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

(c) the "others" segment.

4. SEGMENT INFORMATION *(continued)*

(a) Geographical segments

(i) Geographical segments based on the location of customers

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's geographical segments for the years ended 31 December 2008 and 2007.

Group – 2008

	Singapore *HK$'000*	Taiwan *HK$'000*	Hong Kong *HK$'000*	PRC *HK$'000*	USA *HK$'000*	Others *HK$'000*	Consolidated *HK$'000*
Segment revenue:							
Sales to external customers	1,075,374	257,337	360,736	266,729	251,089	375,352	2,586,617
Other income	673	103	1,852	235	8	248	3,119
Total	1,076,047	257,440	362,588	266,964	251,097	375,600	2,589,736
Segment results	178,937	44,197	58,703	45,788	39,315	62,394	429,334
Interest and other unallocated income and gains							7,366
Unallocated expenses							(313,000)
Finance costs							(30,815)
Share of profit less losses of:							
A jointly-controlled entity							(729)
Associates							(500)
Profit before tax							91,656
Tax							(11,015)
Profit for the year							80,641
Assets and liabilities							
Segment assets	217,422	27,858	63,694	81,508	23,120	45,735	459,337
Interest in a jointly-controlled entity							10,941
Interests in associates							1,100
Unallocated assets							2,129,451
Total assets							2,600,829
Segment liabilities	57,548	19,002	159,068	105,794	–	41,693	383,105
Unallocated liabilities							1,026,300
Total liabilities							1,409,405

Notes to Financial Statements

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4. SEGMENT INFORMATION *(continued)*

(a) Geographical segments *(continued)*

(i) Geographical segments based on the location of customers (continued)

Group – 2008 *(continued)*

	Singapore *HK$'000*	Taiwan *HK$'000*	Hong Kong *HK$'000*	PRC *HK$'000*	USA *HK$'000*	Others *HK$'000*	Consolidated *HK$'000*
Other segment information:							
Depreciation of items of property, plant and equipment, unallocated							126,156
Amortisation of prepaid land lease payments, unallocated							1,440
Amortisation of intangible assets							384
Capital expenditure, unallocated							382,170
Gain on disposal of items of property, plant and equipment, unallocated							(45)
Write-off of accounts receivable	–	–	–	139	–	–	139
Impairment losses recognised in the income statement	–	–	5,038	–	3,706	–	8,744
Impairment losses reversed in the income statement	(80)	(11)	(93)	–	–	(133)	(317)

Notes to Financial Statements

31 December 2008

4. SEGMENT INFORMATION *(continued)*

(a) Geographical segments *(continued)*

(i) Geographical segments based on the location of customers (continued)

Group – 2007

	Singapore *HK$'000*	Taiwan *HK$'000*	Hong Kong *HK$'000*	PRC *HK$'000*	USA *HK$'000*	Others *HK$'000*	Consolidated *HK$'000*
Segment revenue:							
Sales to external customers	1,078,999	186,531	315,970	210,364	147,211	291,689	2,230,764
Other income	2,701	66	3,128	154	15	187	6,251
Total	1,081,700	186,597	319,098	210,518	147,226	291,876	2,237,015
Segment results	188,211	33,221	58,809	37,557	26,190	51,042	395,030
Interest and other unallocated income and gains							16,057
Unallocated expenses							(238,451)
Finance costs							(45,101)
Profit before tax							127,535
Tax							(17,617)
Profit for the year							109,918
Assets and liabilities							
Segment assets	122,803	16,387	58,232	68,997	16,852	13,029	296,300
Unallocated assets							1,757,299
Total assets							2,053,599
Segment liabilities	31,484	10,325	81,004	136,151	–	12,341	271,305
Unallocated liabilities							822,027
Total liabilities							1,093,332

Notes to Financial Statements

31 December 2008

4. SEGMENT INFORMATION *(continued)*

(a) Geographical segments *(continued)*

(i) Geographical segments based on the location of customers (continued)

Group – 2007 *(continued)*

	Singapore *HK$'000*	Taiwan *HK$'000*	Hong Kong *HK$'000*	PRC *HK$'000*	USA *HK$'000*	Others *HK$'000*	Consolidated *HK$'000*
Other segment information:							
Depreciation of items of property, plant and equipment, unallocated							90,690
Amortisation of prepaid land lease payments, unallocated							1,211
Capital expenditure, unallocated							199,513
Loss on disposal of items of property, plant and equipment, unallocated							313
Impairment losses recognised in the income statement	701	11	499	–	–	407	1,618
Impairment losses reversed in the income statement	(112)	–	–	–	–	–	(112)

(ii) Geographical segments based on the location of assets

The following tables present certain asset and expenditure information for the Group's geographical segments for the years ended 31 December 2008 and 2007.

Group – 2008

	Singapore *HK$'000*	**Hong Kong** *HK$'000*	**PRC** *HK$'000*	**Others** *HK$'000*	**Consolidated** *HK$'000*
Segment assets	**919**	**485,042**	**2,031,303**	**83,565**	**2,600,829**
Capital expenditure	**48**	**18,487**	**361,118**	**2,517**	**382,170**

Group – 2007

	Singapore	Hong Kong	PRC	Others	Consolidated
Segment assets	152	308,769	1,658,652	86,026	2,053,599
Capital expenditure	46	546	185,844	13,077	199,513

4. SEGMENT INFORMATION *(continued)*

(b) Business segments

The following tables present revenue, certain asset and expenditure information for the Group's business segments for the years ended 31 December 2008 and 2007.

Group – 2008

	Revenue *HK$'000*	Carrying amount of segment assets *HK$'000*	Capital expenditure *HK$'000*
Production and sale of knitted fabric, dyed yarn and provision of related subcontracting services	**2,295,338**	**2,476,691**	**376,365**
Production and sale of garment products and provision of related subcontracting services	**291,279**	**116,151**	**4,785**
Others	**–**	**7,987**	**1,020**
	2,586,617	**2,600,829**	**382,170**

Group – 2007

	Revenue *HK$'000*	Carrying amount of segment assets *HK$'000*	Capital expenditure *HK$'000*
Production and sale of knitted fabric, dyed yarn and provision of related subcontracting services	2,082,094	1,949,922	181,194
Production and sale of garment products and provision of related subcontracting services	148,670	98,915	16,309
Others	–	4,762	2,010
	2,230,764	2,053,599	199,513

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5. 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. All significant intra-group transactions have been eliminated on consolidation.

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

	Note	2008 HK$'000	2007 HK$'000
Revenue			
Production and sale of knitted fabric, dyed yarn and provision of related subcontracting services		**2,295,338**	2,082,094
Production and sale of garment products and provision of related subcontracting services		**291,279**	148,670
		2,586,617	2,230,764
Other income			
Fee income from freight handling services		**3,119**	6,251
Bank interest income		**585**	1,397
Gross rental income		**605**	901
Others		**16,916**	12,347
		21,225	20,896
Gains			
Fair value gains/(losses), net:			
Equity investment at fair value through profit or loss – held for trading	7	**(354)**	(679)
Derivative financial instruments – transactions not qualified as hedges and matured during the year	7	**8,187**	20
Derivative financial instruments – transactions not qualified as hedges and not yet matured	7	**(18,573)**	2,071
		(10,740)	1,412
Other income and gains, net		**10,485**	22,308

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6. FINANCE COSTS

	Group 2008 HK$'000	2007 HK$'000
Interest on bank loans and overdrafts wholly repayable within five years	**28,444**	38,523
Interest on finance leases	**1,183**	3,287
Amortisation of bank charges on a syndicated loan	**1,188**	3,291
	30,815	45,101

7. PROFIT BEFORE TAX

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

	Notes	2008 HK$'000	2007 HK$'000
Cost of inventories sold and services provided		**2,104,285**	1,791,926
Auditors' remuneration		**1,880**	1,690
Research and development costs		**4,987**	4,712
Depreciation of items of property, plant and equipment	14	**126,156**	90,690
Amortisation of prepaid land lease payments	16	**1,440**	1,211
Amortisation of intangible assets	17	**384**	–
Employee benefits expense (excluding directors' remuneration – note 8):			
Wages and salaries		**199,358**	153,704
Equity-settled share option expense		**14,508**	2,900
Pension scheme contributions		**9,731**	8,454
		223,597	165,058
Minimum lease payments under operating leases in respect of land and buildings		**4,678**	2,813
Loss/(gain) on disposal of items of property, plant and equipment		**(45)**	313
Impairment of accounts receivable	23	**8,744**	1,618
Write back of impairment allowance for accounts receivable	23	**(317)**	(112)
Write-off of accounts receivable		**139**	–
Fair value losses/(gains), net			
Equity investment at fair value through profit or loss – held for trading		**354**	679
Derivative financial instruments – transactions not qualified as hedges and matured during the year		**(8,187)**	(20)
Derivative financial instruments – transactions not qualified for hedges and not yet matured		**18,573**	(2,071)
Foreign exchange differences, net		**3,379**	6,811

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7. PROFIT BEFORE TAX *(continued)*

The cost of inventories sold and services provided includes depreciation and staff costs of HK$256,311,000 for the year ended 31 December 2008 (2007: HK$187,644,000), which is also included in the respective total amounts disclosed separately above.

The research and development costs include depreciation and staff costs of HK$4,341,000 for the year ended 31 December 2008 (2007: HK$3,983,000), which is also included in the respective total amounts disclosed separately above.

At 31 December 2008, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2007: Nil).

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Fees	**630**	600
Other emoluments:		
Salaries, allowances and benefits in kind	**8,106**	6,319
Discretionary bonuses*	**3,186**	4,586
Pension scheme contributions	**94**	90
	11,386	10,995
	12,016	11,595

* During the year ended 31 December 2007, an executive director of the Company was entitled to a discretionary bonus which in aggregate was limited to 5% of the consolidated profit after tax of the Group.

8. DIRECTORS' REMUNERATION *(continued)*

	Fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Discretionary bonuses *HK$'000*	Pension scheme contributions *HK$'000*	Total *HK$'000*
2008					
Executive directors:					
Tai Chin Chun	–	2,304	1,654	12	3,970
Tai Chin Wen	–	1,840	1,140	12	2,992
Cheung So Wan	–	941	196	12	1,149
Wong Siu Yuk	–	941	196	12	1,149
Chong Chau Lam	–	1,705	–	12	1,717
Wong Wai Kong, Elmen	–	375	–	3	378
Independent non-executive directors:					
Chu Hak Ha, Mimi	180	–	–	9	189
Chan Yuk Tong, Jimmy	180	–	–	9	189
Ku Shiu Kuen, Anthony	90	–	–	4	94
Chan Chung Yuen, Lawrence	180	–	–	9	189
Total	630	8,106	3,186	94	12,016

Mr. Wong Wai Kong, Elmen was appointed as an executive director of the Company on 1 October 2008, and the salaries, allowances and benefits in kind including the equity-settled share option expense paid to him in the capacity as an employee of the Group have not been included as part of his director remuneration for the year.

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8. DIRECTORS' REMUNERATION *(continued)*

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2007					
Executive directors:					
Tai Chin Chun	–	1,909	2,039	12	3,960
Tai Chin Wen	–	1,520	1,450	12	2,982
Cheung So Wan	–	620	516	12	1,148
Wong Siu Yuk	–	620	516	12	1,148
Chong Chau Lam	–	1,650	65	12	1,727
Independent non-executive directors:					
Chu Hak Ha, Mimi	180	–	–	9	189
Chan Yuk Tong, Jimmy	180	–	–	9	189
Ku Shiu Kuen, Anthony	150	–	–	8	158
Chan Chung Yuen, Lawrence	90	–	–	4	94
Total	600	6,319	4,586	90	11,595

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2007: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (2007: two) non-director, highest paid employees for the year are as follows:

	Group 2008 HK$'000	2007 HK$'000
Salaries, allowances and benefits in kind	**2,799**	2,185
Discretionary bonuses	**–**	592
Equity-settled share option expense	**5,092**	383
Pension scheme contributions	**24**	64
	7,915	3,224

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9. FIVE HIGHEST PAID EMPLOYEES *(continued)*

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2008	2007
Nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**–**	2
HK$2,000,001 to HK$2,500,000	**2**	–
HK$2,500,001 to HK$3,000,000	**1**	–
	3	2

One of the non-director, highest paid employees was appointed as an executive director of the Company during the year, and the salaries, allowances and benefits in kind paid to him in the capacity as a director of the Company, which is disclosed in note 8 to the financial statements, has been included as part of his remuneration as one of the non-director, highest paid employees of the Group for the year.

During the year, no emoluments were paid by the Group to the directors of the Company or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

In the prior year, share options were granted to three non-director, highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 32 to the financial statements. The fair value of such options, which has been recognised to the income statement over the vesting period, was determined as at date of grant and the amount included in the financial statements for the current year is included in the above non-director, highest paid employees' remuneration disclosures.

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10. TAX

	Group 2008 HK$'000	2007 HK$'000
Current tax – Hong Kong		
Charge for the year	**6,578**	11,111
Overprovision in prior years	**(127)**	(1,649)
Current tax – Elsewhere		
Charge for the year	**3,475**	7,404
Underprovision in prior years	**1,035**	–
Deferred tax charge *(note 30)*	**54**	751
Total tax charge for the year	**11,015**	17,617

Hong Kong profits tax has been provided on the estimated assessable profits arising in Hong Kong at the rate of 16.5% (2007: 17.5%). The lower Hong Kong profits tax rate is effective from the year of assessment 2008/2009, and so is applicable to the assessable profits arising in Hong Kong for the whole year ended 31 December 2008. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The Group has estimated tax losses arising in Hong Kong of HK$11,013,000 (2007: HK$4,150,000) that are available indefinitely for offsetting against future taxable profits of the Company and the respective subsidiaries. No deferred tax assets have been recognised in respect of these losses as the directors consider it is not probable that future taxable profit will be available against which these tax losses can be utilised.

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law (the "New Corporate Income Tax Law") was approved and became effective on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%.

Pursuant to the Notice on the Implementation Rules for Grandfathering Relief under the New Corporate Income Tax Law issued by The State Council of the PRC on 26 December 2007, effective from 1 January 2008, the existing preferential income tax rate pertaining to the Group's subsidiaries operated in the PRC will gradually transit to the applicable tax rate of 25%.

During the year ended 31 December 2007, Guangzhou Kam Hing Textile Dyeing Co. Ltd. ("Guangzhou KH Textile"), a wholly-owned PRC subsidiary of the Company, was entitled to a 50% reduction in the corporate income tax in the PRC. The applicable tax rate of Guangzhou KH Textile, after the 50% reduction, was 12%.

10. TAX *(continued)*

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the jurisdictions/countries in which the Company and the majority of its subsidiaries, a jointly-controlled entity and associates operate to the tax expense at the effective tax rates is as follows:

Group – 2008

	Hong Kong *HK$'000*	PRC *HK$'000*	Others *HK$'000*	Total *HK$'000*
Profit before tax	1,988	51,396	38,272	91,656
Tax at the statutory tax rate	328	12,849	3,849	17,026
Lower tax rate for specific provinces or enacted by local authority	–	(4,680)	(23)	(4,703)
Profit less losses attributable to a jointly-controlled entity and associates	202	–	–	202
Adjustments in respect of current tax of prior years	(127)	1,035	–	908
Lower tax rate due to tax holiday	–	–	(3,807)	(3,807)
Income not subject to tax	(568)	(8,326)	(7)	(8,901)
Expenses not deductible for tax	6,106	712	59	6,877
Tax losses not recognised	376	2,582	8	2,966
Others	186	260	1	447
Tax charge at the Group's effective rate	6,503	4,432	80	11,015

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10. TAX *(continued)*

Group – 2007

	Hong Kong *HK$'000*	PRC *HK$'000*	Others *HK$'000*	Total *HK$'000*
Profit before tax	23,702	88,757	15,076	127,535
Tax at the statutory tax rate	4,148	29,289	1,547	34,984
Lower tax rate for specific provinces or enacted by local authority	–	(21,896)	(14)	(21,910)
Adjustments in respect of current tax of prior years	(1,649)	–	–	(1,649)
Lower tax rate due to tax holiday	–	–	(1,459)	(1,459)
Income not subject to tax	(342)	–	(60)	(402)
Expenses not deductible for tax	7,755	–	6	7,761
Tax losses not recognised	292	–	–	292
Tax charge at the Group's effective rate	10,204	7,393	20	17,617

11. PROFIT ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to ordinary equity holders of the Company for the year ended 31 December 2008 includes a profit of HK$4,475,000 (2007: HK$27,210,000) which has been dealt with in the financial statements of the Company (note 33(b)).

12. DIVIDEND

The directors resolved not to declare any dividend for the year ended 31 December 2008 (2007: final dividend of HK4.3 cents per ordinary share, totalling approximately HK$27,698,000).

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

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company of HK$81,700,000 (2007: HK$109,960,000) and the weighted average of 644,529,000 (2007: 640,481,000) ordinary shares deemed to have been in issue during the year.

Diluted earnings per share amounts for the years ended 31 December 2008 and 2007 have not been disclosed, as the share options outstanding during these years had an anti-dilutive effect on the basic earnings per share for these years.

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14. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2008						
Cost:						
At 1 January 2008	219,325	1,037,306	49,543	17,120	138,934	1,462,228
Additions	–	65,572	2,473	5,448	294,395	367,888
Disposals	–	(9,646)	(2)	(938)	–	(10,586)
Transfers	–	14,133	34	–	(14,167)	–
Exchange realignment	23,701	117,032	4,044	1,025	16,345	162,147
At 31 December 2008	243,026	1,224,397	56,092	22,655	435,507	1,981,677
Accumulated depreciation:						
At 1 January 2008	38,068	338,420	30,640	11,596	–	418,724
Charge for the year	12,008	103,507	7,921	2,720	–	126,156
Disposals	–	(8,910)	–	(297)	–	(9,207)
Exchange realignment	4,568	40,279	2,633	777	–	48,257
At 31 December 2008	54,644	473,296	41,194	14,796	–	583,930
Net book value:						
At 31 December 2008	188,382	751,101	14,898	7,859	435,507	1,397,747

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14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Group *(continued)*

	Land and buildings HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2007						
Cost:						
At 1 January 2007	163,216	694,717	45,262	14,730	272,493	1,190,418
Additions	12,500	36,566	2,351	1,765	136,831	190,013
Disposals	(54)	(1,112)	(119)	–	–	(1,285)
Transfers	23,726	253,656	24	–	(277,406)	–
Transfer from investment properties *(note 15)*	7,912	–	–	–	–	7,912
Exchange realignment	12,025	53,479	2,025	625	7,016	75,170
At 31 December 2007	219,325	1,037,306	49,543	17,120	138,934	1,462,228
Accumulated depreciation:						
At 1 January 2007	25,512	250,108	22,506	9,043	–	307,169
Charge for the year	9,786	71,659	7,041	2,204	–	90,690
Disposals	–	–	(91)	–	–	(91)
Transfer from investment properties *(note 15)*	857	–	–	–	–	857
Exchange realignment	1,913	16,653	1,184	349	–	20,099
At 31 December 2007	38,068	338,420	30,640	11,596	–	418,724
Net book value:						
At 31 December 2007	181,257	698,886	18,903	5,524	138,934	1,043,504

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Group *(continued)*

The Group's buildings were held under the following lease terms:

	2008 HK$'000	2007 HK$'000
Medium-term leases		
– in Hong Kong	**1,741**	1,883
– outside Hong Kong	**186,641**	179,374
	188,382	181,257

The net book values of the Group's items of property, plant and equipment held under finance leases included in the total amount of plant and machinery, furniture, fixtures and office equipment and motor vehicles were as follows:

	2008 HK$'000	2007 HK$'000
Plant and machinery	**119,938**	93,837
Furniture, fixtures and office equipment	**106**	148
Motor vehicles	**398**	770
	120,442	94,755

As at 31 December 2008, 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$15.8 million (2007: HK$14.2 million) situated in Panyu, Guangzhou, the PRC. The Company's directors confirmed that, as the Group has properly obtained the land use right certificates in respect of the land on which the aforementioned self-used properties are located, there is no legal barrier or otherwise for the Group to obtain the building ownership certificates from the relevant Mainland China authority.

15. INVESTMENT PROPERTIES

	Group	
	2008 HK$'000	2007 HK$'000
Carrying amount at 1 January	**–**	7,055
Transfer to owner-occupied properties *(note 14)*	**–**	(7,055)
Net book value as at 31 December	**–**	–

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16. PREPAID LAND LEASE PAYMENTS

	Group	
	2008	2007
	HK$'000	*HK$'000*
Carrying amount at 1 January	**59,593**	50,114
Prepaid during the year	**–**	7,500
Amortised during the year	**(1,440)**	(1,211)
Exchange realignment	**6,745**	3,190
Carrying amount at 31 December	**64,898**	59,593
Current portion included in prepayments, deposits and other receivables	**(1,440)**	(1,213)
Non-current portion	**63,458**	58,380

The Group's prepaid land lease payments comprise:

Land outside Hong Kong:		
Long-term lease	**1,247**	1,332
Medium-term leases	**63,651**	58,261
	64,898	59,593

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17. INTANGIBLE ASSETS

Group

	Exploration licences and assets	
	2008	2007
	HK$'000	*HK$'000*
Cost at 1 January, net of accumulated amortisation	**2,105**	–
Additions	**1,012**	2,000
Amortisation provided during the year	**(384)**	–
Exchange realignment	**240**	105
At 31 December	**2,973**	2,105
At 31 December:		
Cost	**3,365**	2,105
Accumulated amortisation	**(392)**	–
Net carrying amount	**2,973**	2,105

18. INTERESTS IN SUBSIDIARIES

	Company	
	2008	2007
	HK$'000	*HK$'000*
Unlisted investments, at cost	**402,285**	402,207

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities of HK$218,832,000 (2007: HK$221,941,000) and HK$78,000 (2007: Nil), respectively, are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of the amounts due from and to subsidiaries approximate to their fair values.

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18. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ paid-up capital	Percentage of equity attributable to the Company	Principal activities
Directly held:				
Joint Result Holdings Limited ("Joint Result")*	BVI/Hong Kong	US$10,000	100	Investment holding
Kam Hing International Limited*#	BVI/Hong Kong	US$10,000	100	Investment holding
Indirectly held:				
Highkeen Enterprises Limited*	BVI/Hong Kong	US$1,000	100	Investment holding
Kam Hing Textile (International) Limited ("KH Textile")	Hong Kong	Ordinary HK$2 Non-voting deferred HK$10,000,000 *(Note (a))*	100	Investment holding
Strong View International Limited*#	BVI/Hong Kong	US$400,000	65	Investment holding

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18. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ paid-up capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held: *(continued)*				
Kam Wing International Textile Company Limited	Hong Kong	HK$107,500,000	60	Investment holding and trading of finished fabrics
Guangzhou Kwok Hing Garment Limited ("Kwok Hing GZ")*	PRC/Mainland China	HK$6,000,000 *(Note (b))*	100	Manufacture and trading of garment products
Kam Hing Madagascar*	Madagascar	Malagasy Ariary ("MGA") 10,000,000	100	Manufacture and trading of garment products
Kwok Hing Garment Madagascar*	Madagascar	MGA100,000,000	100	Manufacture and trading of garment products
En Ping Kam Hing Textile and Dyeing Co. Ltd. ("En Ping KH")*	PRC/Mainland China	US$11,822,000 *(Note (c))*	100	Manufacture and trading of knitted and dyed fabrics
En Ping Kam Lap Textile and Dyeing Co. Ltd. ("En Ping KL")*	PRC/Mainland China	US$3,390,000 *(Note (d))*	60	Manufacture and trading of knitted and dyed fabrics
Guangzhou Kam Sing Textile and Dyeing Company Limited ("Kam Sing")*	PRC/Mainland China	HK$6,000,000 *(Note (e))*	100	Manufacture and trading of knitted and dyed fabrics

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18. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ paid-up capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held: *(continued)*				
Guangzhou KH Textile*	PRC/Mainland China	US$97,610,000 *(Note (f))*	100	Manufacture and trading of knitted and dyed fabrics
Guangxi Kam Hing Mining Company Limited ("Guangxi Mining")*	PRC/Mainland China	HK$2,000,000 *(Note (g))*	100	Mining
Kam Hing Mining Madagascar*#	Madagascar	MGA100,000,000	100	Mining
Sparkle Logistics Limited	Hong Kong	HK$3,800,000	92	Provision of air and ocean freight services
Kam Hing Korea Limited*#	Korea	WON50,000,000	65	Provision of customer services
Kam Hing Piece Works (S) Pte Limited*	Singapore	S$100,000	100	Provision of customer services
Guangzhou Kam Yam Garment Design Co. Ltd. ("Kam Yam")*	PRC/Mainland China	HK$400,000 *(Note (h))*	100	Provision of knitting and dyeing services and trading of finished fabrics
Kam Hing Textile Macao Commercial Offshore Company Limited	Macau	Pataca 100,000	100	Provision of knitting and dyeing services and trading of finished fabrics
Kam Hing Piece Works Limited ("KH Piece Works")	Hong Kong	Ordinary HK$2 Non-voting deferred HK$1,000,010 *(Note (a))*	100	Trading of finished fabrics
Kam Hing Global Garment Company Limited	Hong Kong	HK$10,000,000	100	Trading of garment products

18. INTERESTS IN SUBSIDIARIES *(continued)*

Notes:

(a) The non-voting deferred shares do not entitle the holders thereof to receive notice of or to attend or vote at any general meeting of KH Piece Works and KH Textile. The holders of the non-voting deferred shares are not entitled to any dividends of KH Piece Works and KH Textile. On a winding-up, the holders of the non-voting deferred shares are entitled, out of the surplus assets of KH Piece Works and KH Textile, to a return of the capital paid up on the non-voting deferred shares held by them to one half of the balance after a total sum of HK$100,000,000,000,000 has been distributed in such winding-up in respect of the ordinary shares of KH Piece Works and KH Textile.

(b) Kwok Hing GZ is registered as a wholly-foreign-owned enterprise under the PRC law with an operating period of 20 years commencing from 30 March 2007. The registered capital of Kwok Hing GZ amounted to HK$10,000,000. The remaining unpaid capital contribution of HK$4,000,000 was included as capital commitments at 31 December 2008 as disclosed in note 37 to the financial statements.

(c) En Ping KH is registered as a wholly-foreign-owned enterprise under the PRC law with an operating period of 20 years commencing from 27 April 2005. The registered capital of En Ping KH amounted to US$75,000,000 and the remaining unpaid capital contribution of US$63,178,000 (equivalent to approximately HK$491,525,000) was included as capital commitments at 31 December 2008 as disclosed in note 37 to the financial statements.

(d) En Ping KL is registered as a wholly-foreign-owned enterprise under the PRC law with an operating period of 20 years commencing from 8 June 2007. The registered capital of En Ping KL amounted to US$12,000,000. The remaining unpaid capital contribution of US$8,610,000 (equivalent to approximately HK$66,986,000) was included as capital commitments at 31 December 2008 as disclosed in note 37 to the financial statements.

(e) Kam Sing is registered as a wholly-foreign-owned enterprise under the PRC law with an operating period of 20 years commencing from 2 January 2004.

(f) Guangzhou KH Textile is registered as a wholly-foreign-owned enterprise under the PRC law with an operating period of 25 years commencing from 26 March 1992.

(g) Guangxi Mining is registered as a wholly-foreign-owned enterprise under the PRC law with an operating period of 20 years commencing from 5 November 2007. The registered capital of Guangxi Mining amounted to HK$10,000,000 and the remaining unpaid capital contribution of HK$8,000,000 was included as capital commitments at 31 December 2008 as disclosed in note 37 to the financial statements.

(h) Kam Yam is registered as a wholly-foreign-owned enterprise under the PRC law with an operating period of 20 years commencing from 14 November 2007.

* The statutory financial statements of these subsidiaries are not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.

\# Subsidiaries incorporated/established during the current year.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

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19. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	Group	
	2008	2007
	HK$'000	*HK$'000*
Share of net assets	**10,941**	–

The Group's trade payable balance due to the jointly-controlled entity was disclosed in note 26 to the financial statements.

Particulars of the jointly-controlled entity are as follows:

Name	Particulars of issued shares held	Place of registration and operations	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Honghu Xing Ye Textile Co. Ltd. ("Honghu")[#]	Registered share capital of Renminbi ("RMB") 130,000,000	PRC/Mainland China	16*	40	25	Manufacture and trading of cotton spinning

Not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.

* During the year, KH Textile has entered into a cooperation agreement with a company registered in the PRC (the "PRC JV partner") to setup Honghu of which 25% and 75% equity interest is held by the Company and the PRC JV partner, respectively. As at 31 December 2008, KH Textile has contributed RMB10,228,000 for the registered capital of Honghu, represented 16% equity interest of Honghu, and the remaining unpaid capital contribution of RMB22,272,000 (equivalent to approximately HK$26,202,000) was included as capital commitments at 31 December 2008 as disclosed in note 37 to the financial statements.

The investment in a jointly-controlled entity is indirectly held by the Company.

19. INTEREST IN A JOINTLY-CONTROLLED ENTITY *(continued)*

The following table illustrates the summarised financial information of the Group's jointly-controlled entity:

	2008 HK$'000	2007 HK$'000
Share of the jointly-controlled entity's assets and liabilities:		
Current assets	6,145	–
Non-current assets	12,827	–
Current liabilities	(8,031)	–
Net assets	10,941	–
Share of the jointly-controlled entity's results:		
Revenue	16,067	–
Total expenses	(16,796)	–
Loss after tax	(729)	–

20. INTERESTS IN ASSOCIATES

	Group 2008 HK$'000	2007 HK$'000
Share of net assets	1,100	–

The amount due from an associate included in the Group's current assets of HK$3,287,000 (2007: Nil) is unsecured, interest-free and has no fixed terms of repayment. The carrying amount of the amount due from an associate approximates to its fair value.

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20. INTERESTS IN ASSOCIATES *(continued)*

Particulars of the associates are as follows:

Name	Particulars of issued shares held	Place of incorporation	Percentage of ownership interest attributable to the Group	Principal activities
Wisco Kam Hing Resources Limited*	Ordinary shares of HK$1 each	Hong Kong	40.0	Investment holding
Hong Kong Wisco Guangxin Kam Wah Resources Limited*	Ordinary shares of HK$1 each	Hong Kong	20.4	Investment holding

* Not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.

The Group's shareholding in the associates is held through a wholly-owned subsidiary of the Company.

The following table illustrates the summarised financial information of the Group's associates extracted from their management accounts:

	Group 2008 HK$'000	2007 HK$'000
Assets	23,296	–
Liabilities	(17,673)	–
Loss	(2,198)	–

21. DEPOSITS PAID

	Group 2008 HK$'000	2007 HK$'000
Deposits paid for acquisition of:		
Mining and exploration rights	706	–
Land use rights	20,730	–
	21,436	–

22. INVENTORIES

	Group 2008 HK$'000	2007 HK$'000
Raw materials	**255,756**	325,921
Work in progress	**103,641**	89,617
Finished goods	**88,622**	75,612
	448,019	491,150

23. ACCOUNTS AND BILLS RECEIVABLE

	Group 2008 HK$'000	2007 HK$'000
Accounts and bills receivable	**469,382**	297,918
Impairment	**(10,045)**	(1,618)
	459,337	296,300

The Group's trading terms 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 with 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 balance sheet date, based on the invoice date and net of impairment allowance, is as follows:

	Group 2008 HK$'000	2007 HK$'000
Within 1 month	**203,326**	131,612
1 to 2 months	**103,605**	91,302
2 to 3 months	**108,949**	49,244
Over 3 months	**43,457**	24,142
	459,337	296,300

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23. ACCOUNTS AND BILLS RECEIVABLE *(continued)*

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 31 December 2008, amounts totalling HK$71,088,000 (2007: HK$39,025,000) were discounted to banks in exchange for cash and included as "Bank advances for discounted bills" on the face of the consolidated balance sheet.

The movements in impairment allowance for accounts and bills receivable are as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
At 1 January	**1,618**	112
Impairment losses recognised *(note 7)*	**8,744**	1,618
Write back of impairment losses *(note 7)*	**(317)**	(112)
	10,045	1,618

Included in the above impairment allowance for accounts and bills receivable is an allowance for individually impaired trade receivable of HK$10,045,000 (2007: HK$1,618,000) with a carrying amount of HK$10,882,000 (2007: HK$2,084,000). The individually impaired accounts and bills receivable relate to customers that were in default or delinquency in payments and only a portion of the receivable is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

An aged analysis of the accounts and bills receivable that are not considered to be impaired is as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Neither past due nor impaired	**237,722**	190,507
Less than 1 month past due	**157,568**	59,222
1 to 6 months past due	**63,210**	46,105
	458,500	295,834

23. ACCOUNTS AND BILLS RECEIVABLE *(continued)*

Receivable that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivable that were past due but not impaired relate to a number of independent customers that have a good repayment record with the Group. Based on past experience, the directors of the Company are of the opinion that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

24. EQUITY INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2008	2007
	HK$'000	*HK$'000*
Equity investment listed outside Hong Kong, at market value	**349**	703

The above equity investment was classified as held for trading at 31 December 2008 and 2007.

25. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

		Group		**Company**	
		2008	2007	**2008**	2007
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances		**137,539**	113,182	**293**	5,444
Time deposits		**8,823**	12,887	**–**	–
		146,362	126,069	**293**	5,444
Less: Pledged time deposits for banking facilities	*28*	**(8,823)**	(12,887)	**–**	–
Cash and cash equivalents		**137,539**	113,182	**293**	5,444

As at 31 December 2008, the cash and bank balances of the Group denominated in RMB amounted to approximately HK$41,793,000 (2007: HK$29,024,000). RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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25. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS *(continued)*

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances and deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents and the pledged time deposits approximate to their fair values.

26. ACCOUNTS AND BILLS PAYABLE

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

	Group	
	2008	2007
	HK$'000	*HK$'000*
Within 3 months	**239,918**	191,024
3 to 6 months	**69,532**	39,152
6 to 12 months	**2,436**	2,016
Over 1 year	**131**	88
	312,017	232,280

Included in the trade and bills payable are trade payable of HK$1,711,000 (2007: Nil) due to a jointly-controlled entity which are repayable within 2 months, which represents similar credit terms to those offered by the jointly-controlled entity to its major customers.

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.

27. DERIVATIVE FINANCIAL INSTRUMENTS

	Assets		Liabilities	
	2008	2007	**2008**	2007
Group	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Forward currency contracts	**1,459**	6,913	**8,029**	4,842
Interest rate swaps	**–**	–	**12,003**	–
	1,459	6,913	**20,032**	4,842

27. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

The carrying amounts of forward currency contracts and interest rate swaps are the same as their fair values. The above transactions involving derivative financial instruments are with creditworthy banks with no recent history of default.

The Group has entered into various forward currency contracts and interest rate swaps to manage its exchange rate and interest rate exposures which did not meet the criteria for hedge accounting. Changes in the fair value of non-hedging currency derivatives amounting to HK$10,386,000 were charged to the income statement during the year (2007: net fair value gain of HK$2,091,000).

28. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	2008			2007		
	Effective interest rate (%)	**Maturity**	***HK$'000***	Effective interest rate (%)	Maturity	*HK$'000*
Current						
Finance lease payables *(note 29)*	**2.9 – 11.2**	**2009**	**25,249**	4.1 – 11.2	2008	23,890
Bank loans – unsecured	**Weighted average of HIBOR/LIBOR/ SIBOR/PBOC + 0.5 to 1.75**	**2009**	**499,201**	Weighted average of HIBOR/LIBOR/ SIBOR + 0.68 to 0.9	2008	304,226
			524,450			328,116
Non-current						
Finance lease payables *(note 29)*	**2.9 – 10.9**	**2010 – 2012**	**37,272**	4.1 – 11.2	2009 – 2011	12,819
Bank loans – unsecured	**HIBOR + 0.68 to 1.5**	**2010 – 2012**	**326,140**	HIBOR + 0.68	2011	402,127
			363,412			414,946
			887,862			743,062

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28. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

	Group	
	2008	2007
	HK$'000	*HK$'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**499,201**	304,226
In the second year	**184,712**	144,012
In the third to fifth years, inclusive	**141,428**	258,115
	825,341	706,353
Finance lease payables:		
Within one year or on demand	**25,249**	23,890
In the second year	**14,574**	11,990
In the third to fifth years, inclusive	**22,698**	829
	62,521	36,709
	887,862	743,062

As at 31 December 2008, the Group's banking facilities were secured by the Group's pledged bank deposits of HK$8,823,000 (2007: HK$12,887,000) (note 25), and were supported by corporate guarantees executed by the Company and certain subsidiaries of the Company.

As at 31 December 2008, the finance lease payables were secured by corporate guarantees executed by the Company and/or certain subsidiaries of the Company and the underlying property, plant and equipment (note 29).

As at 31 December 2008, except for the bank loan of HK$11,765,000 (2007: Nil) which was denominated in RMB, all borrowings were denominated in Hong Kong dollars.

The carrying amounts of the Group's current borrowings approximate to their fair values. The carrying amounts and fair values of the Group's non-current borrowings are as follows:

	Carrying amounts		Fair values	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Finance lease payables	**37,272**	12,819	**37,272**	12,819
Floating rate bank loans – unsecured	**326,140**	402,127	**326,989**	404,267
	363,412	414,946	**364,261**	417,086

29. FINANCE LEASE PAYABLES

The Group leases certain of its plant and machinery, furniture, fixtures and office equipment and motor vehicles for its business operation (note 14). These leases are classified as finance leases and have remaining lease terms ranging from one to four years.

At 31 December 2008, the total future minimum lease payments under finance leases and their present values were as follows:

Group

	Minimum lease payments		Present values of minimum lease payments	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable:				
Within one year	**26,792**	25,190	**25,249**	23,890
In the second year	**15,513**	12,273	**14,574**	11,990
In the third to fifth years, inclusive	**23,336**	841	**22,698**	829
Total minimum finance lease payments	**65,641**	38,304	**62,521**	36,709
Future finance charges	**(3,120)**	(1,595)		
Total net finance lease payables	**62,521**	36,709		
Portion classified as current liabilities *(note 28)*	**(25,249)**	(23,890)		
Non-current portion *(note 28)*	**37,272**	12,819		

At 31 December 2008, the finance lease payables were secured by corporate guarantees executed by the Company and/or certain subsidiaries of the Company and the underlying property, plant and equipment.

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30. DEFERRED TAX

The movements in deferred tax assets and liabilities of the Group during the year were as follows:

Deferred tax assets

	Impairment allowance for accounts and bills receivable	
	2008	2007
	HK$'000	*HK$'000*
At 1 January	**–**	41
Deferred tax charged to the income statement during the year *(note 10)*	**–**	(41)
At 31 December	**–**	–

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation	
	2008	2007
	HK$'000	*HK$'000*
At 1 January	**712**	–
Deferred tax charged to the income statement during the year *(note 10)*	**54**	710
At 31 December	**766**	710
Exchange realignment	**–**	2
At 31 December	**766**	712

30. DEFERRED TAX *(continued)*

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2008, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China totalled approximately HK$23,989,000 (2007: Nil) at 31 December 2008, for which the related deferred tax liabilities of approximately HK$1,199,000 (2007: Nil) have not been recognised.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

31. SHARE CAPITAL

	Company	
	2008	2007
	HK$'000	*HK$'000*
Authorised:		
2,000,000,000 (2007: 2,000,000,000) ordinary shares of HK$0.1 each	**200,000**	200,000
Issued and fully paid:		
644,583,000 (2007: 644,128,000) ordinary shares of HK$0.1 each	**64,458**	64,413

During the year, the subscription rights attaching to 455,000 share options were exercised at the subscription price of HK$1.28 per share (note 32), resulting in the issue of 455,000 shares of HK$0.1 each for a total cash consideration, before related issuance expenses, of approximately HK$582,000.

Notes to Financial Statements

31 December 2008

31. SHARE CAPITAL *(continued)*

A summary of the transactions during the year with reference to the above movements in the Company's issued share capital is as follows:

	Number of shares in issue	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 January 2007	640,000,000	64,000	122,429	186,429
Share options exercised	4,128,000	413	4,871	5,284
	644,128,000	64,413	127,300	191,713
Transfer from share option reserve	–	–	937	937
At 31 December 2007 and 1 January 2008	644,128,000	64,413	128,237	192,650
Share options exercised	455,000	45	537	582
	644,583,000	64,458	128,774	193,232
Transfer from share option reserve	–	–	103	103
At 31 December 2008	644,583,000	64,458	128,877	193,335

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 32 to the financial statements.

32. SHARE OPTION SCHEME

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

The Company has sought the approval by its shareholders 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 and the date of this annual report. 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 vesting period of one year 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.

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32. SHARE OPTION SCHEME *(continued)*

The following share options were outstanding under the Scheme during the year:

	2008		2007	
	Weighted average exercise price ***HK$ per share***	**Number of options** ***'000***	Weighted average exercise price *HK$ per share*	Number of options *'000*
At 1 January	**2.13**	**59,777**	1.28	22,463
Granted during the year	**–**	**–**	2.47	42,450
Exercised during the year	**1.28**	**(455)**	1.28	(4,128)
Lapsed during the year	**1.28**	**(5)**	1.28	(1,008)
At 31 December	**2.13**	**59,317**	2.13	59,777

The weighted average share price at the date of exercise for share options exercised during the year was HK$2.07 (2007: HK$2.75).

The exercise prices and exercise periods of the share options outstanding as at the balance sheet date are as follows:

2008

Number of options ***'000***	**Exercise price** ***HK$ per share***	**Exercise period**
16,867	1.28	6 October 2005 to 5 October 2014
42,450	2.47	2 November 2008 to 1 February 2009
59,317		

2007

Number of options *'000*	Exercise price *HK$ per share*	Exercise period
17,327	1.28	6 October 2005 to 5 October 2014
42,450	2.47	2 November 2008 to 1 February 2009
59,777		

32. SHARE OPTION SCHEME *(continued)*

For the share options granted on 6 October 2004, the fair value of these share options at the date of grant of HK$5,300,000 was estimated using the Black-Scholes option pricing model and was fully recognised in the share option reserve upon the adoption of HKFRS 2 *Share-based Payment* during the year ended 31 December 2005. Details of the underlying inputs to the model were disclosed in the annual report of the Company for the year ended 31 December 2005.

For the share options granted on 2 November 2007, the fair value of these share options at the date of grant of HK$17,408,000 was estimated using the Binomial model and of which the Group recognised a share option expense of HK$14,508,000 (2007: HK$2,900,000) in the share option reserve during the current year. Details of the underlying inputs to the model were disclosed in the annual report of the Company for the year ended 31 December 2007.

During the year, no new share options were granted by the Company.

The 455,000 share options exercised during the year resulted in the issue of 455,000 ordinary shares of the Company and new share capital of HK$45,000 and share premium of HK$537,000 (before related issuance expenses), as further detailed in note 31 to the financial statements.

The 59,317,000 share options outstanding as at 31 December 2008 under the Scheme, represented approximately 9.2% of the Company's shares in issue as at that date. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 59,317,000 additional ordinary shares of the Company and additional share capital of HK$5,932,000 and share premium of HK$120,509,000 (before related issuance expenses).

33. RESERVES

(a) Group

The amounts of the Group's reserves and the movement therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

The capital reserve of the Group represents (i) the premium arising from the issue of shares by Joint Result for settlement of the amounts due to directors, of HK$93,378,000; and (ii) the excess of the nominal value of the share capital of the subsidiaries acquired pursuant to the group reorganisation taken place on 24 August 2004, for the Company became the holding company of the companies now comprising the Group (the "Group Reorganisation"), over the nominal value of the 1,000,000 shares of HK$0.1 each of the Company issued in exchange therefor and the then existing 1,000,000 shares of HK$0.1 each credited as fully paid at par.

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33. RESERVES *(continued)*

(a) Group *(continued)*

In accordance with the relevant PRC regulations, the subsidiaries which are established in the PRC are required to transfer 10% of their profits after tax, as determined under the PRC accounting regulations, to the statutory surplus reserve, until the balance of the reserve reaches 50% of their respective registered capital. Subject to certain restrictions as set out in the relevant PRC regulations, the statutory surplus reserve may be used to offset against accumulated losses of the respective subsidiaries.

(b) Company

	Share premium account HK$'000	Share option reserve HK$'000	Capital reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2007	122,429	5,300	402,007	132	529,868
Share options exercised *(note 31)*	4,871	–	–	–	4,871
Equity-settled share option arrangements *(note 32)*	–	2,900	–	–	2,900
Transfer to share premium account *(note 31)*	937	(937)	–	–	–
Transfer to retained profits	–	(430)	–	430	–
Profit for the year	–	–	–	27,210	27,210
Proposed final 2007 dividend	–	–	–	(27,698)	(27,698)
At 31 December 2007 and 1 January 2008	128,237	6,833	402,007	74	537,151
Share options exercised *(note 31)*	537	–	–	–	537
Equity-settled share option arrangements *(note 32)*	–	14,508	–	–	14,508
Transfer to share premium account *(note 31)*	103	(103)	–	–	–
Transfer to retained profits	–	(1)	–	1	–
Profit for the year	–	–	–	4,475	4,475
At 31 December 2008	128,877	21,237	402,007	4,550	556,671

33. RESERVES *(continued)*

(b) Company *(continued)*

The capital reserve of the Company represents the excess of the then net assets of the subsidiaries acquired by the Company pursuant to the Group Reorganisation as disclosed in the annual report of the Company for the year ended 31 December 2004, over the nominal value of the share capital of the Company issued in exchange therefor and the then existing 1,000,000 shares of HK$0.1 each credited as fully paid at par. Under the Companies Law of the Cayman Islands, the capital reserve may be distributable to the shareholders of the Company, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

The Group's and the Company's share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

The Group has the following major non-cash transactions during the current year:

(a) During the year, the Group entered into finance lease arrangements in respect of items of property, plant and equipment with a total capital value at the inception of the leases of HK$51,858,000 (2007: Nil).

(b) During the year, the capital contribution of HK$20,190,000 (2007: Nil) from a minority shareholder was yet to pay up and was included in the current account with the minority shareholder as at the balance sheet date.

(c) During the year, deposits paid of HK$20,730,000 for the acquisition of land use rights included in the non-current assets was settled through the deposits paid in the same amount included in the current assets in the prior year and had no cash flow impact to the Group.

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35. CONTINGENT LIABILITIES

(a) At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Discounted bills with recourse supported by letters of credit	**16,480**	39,179	**–**	–
Guarantees given to banks in connection with facilities granted to and fully utilised by subsidiaries	**–**	–	**949,873**	809,581
	16,480	39,179	**949,873**	809,581

(b) The Group had a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of HK$1,603,000 (2007: HK$1,504,000) as at 31 December 2008, as further explained under the heading "Employee benefits" in note 2.4 to the financial statements. The contingent liability has arisen because, at the balance sheet date, a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance if their employment is terminated under certain circumstances. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

36. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its building under operating lease arrangements, with leases negotiated for terms ranging from one to nineteen years.

At 31 December 2008, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2008	2007
	HK$'000	*HK$'000*
Within one year	**662**	550
In the second to fifth years, inclusive	**512**	816
After five years	**182**	197
	1,356	1,563

(b) As lessee

The Group leases certain properties under operating lease arrangements, with leases negotiated for terms ranging from one to twenty years.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2008	2007
	HK$'000	*HK$'000*
Within one year	**4,958**	4,075
In the second to fifth years, inclusive	**4,643**	7,085
After five years	**6,838**	6,631
	16,439	17,791

The Company had no significant operating lease commitments at 31 December 2008 (2007: Nil).

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37. COMMITMENTS

In addition to the operating lease commitments detailed in note 36 above, the Group had the following capital commitments as at the balance sheet date:

	2008	2007
	HK$'000	*HK$'000*
Contracted but not provided for:		
Purchases of machinery	**3,571**	44,071
Construction in progress	**60,752**	85,472
Investments in subsidiaries	**570,511**	560,245
Investment in a jointly-controlled entity	**26,202**	–
	661,036	689,788

In addition, the Group's share of the jointly-controlled entity's own capital commitment, which is not included in the above, is as follows:

	2008	2007
	HK$'000	*HK$'000*
Contracted but not provided for:		
Purchases of machinery	**826**	–

The Company had no significant commitments at 31 December 2008 (2007: Nil).

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38. 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 year:

	Notes	**2008** **HK$'000**	2007 *HK$'000*
Rental expenses on office premises and a staff quarter paid to Tai Chin Chun and Tai Chin Wen	*(i)*	**372**	322
Purchases of raw materials from a jointly-controlled entity	*(ii)*	**5,876**	–

Notes:

(i) The Group entered into tenancy agreements with Mr. Tai Chin Chun and Mr. Tai Chin Wen, directors of the Company, for the rental of office premises and a staff quarter at monthly rentals of HK$25,000 and HK$6,000, for terms of one year and five months and two years, respectively, based on the prevailing market rentals.

(ii) The cost of purchases of raw materials from the jointly-controlled entity was determined by reference to the prevailing market prices.

(b) The Group is still in the process of applying for the land use planning for construction work permit, construction project and planning permit, commencement of construction works permit in respect of a six-storey factory building, with a net book value of approximately HK$3.2 million (2007: HK$3.0 million) as at 31 December 2008.

Each of Mr. Tai Chin Chun and Mr. Tai Chin Wen, directors of the Company, together with their respective spouses, who are 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.

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38. RELATED PARTY TRANSACTIONS *(continued)*

(c) Outstanding balances with related parties:

(i) The Group had outstanding amounts due from minority shareholders of HK$20,258,000 (2007: HK$101,000) as at the balance sheet date, of which HK$20,190,000 was fully settled subsequent to the balance sheet date. The balances are unsecured, interest-free and have no fixed term of repayment.

(ii) Details of the Group's balances with its associates and jointly-controlled entity as at the balance sheet date are disclosed in notes 20 and 26 to the financial statements, respectively.

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

	2008	2007
	HK$'000	*HK$'000*
Short-term employee benefits	**11,922**	11,505
Post-employment benefits	**94**	90
	12,016	11,595

Further details of directors' emoluments are included in note 8 to the financial statements.

39. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

2008 **Group**

Financial assets

	Financial assets at fair value through profit or loss – held for trading HK$'000	Loans and receivables HK$'000	Total HK$'000
Accounts and bills receivable	–	459,337	459,337
Financial assets included in prepayments, deposits and other receivables	–	9,094	9,094
Equity investment at fair value through profit or loss	349	–	349
Derivative financial instruments	1,459	–	1,459
Due from minority shareholders	–	20,258	20,258
Due from an associate	–	3,287	3,287
Pledged deposits	–	8,823	8,823
Cash and cash equivalents	–	137,539	137,539
	1,808	638,338	640,146

Financial liabilities

	Financial liabilities at fair value through profit or loss – held for trading HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Accounts and bills payable	–	312,017	312,017
Financial liabilities included in accrued liabilities and other payables	–	43,653	43,653
Derivative financial instruments	20,032	–	20,032
Interest-bearing bank and other borrowings	–	887,862	887,862
Bank advances for discounted bills	–	71,088	71,088
	20,032	1,314,620	1,334,652

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39. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows: *(continued)*

2007 Group

Financial assets

	Financial assets at fair value through profit or loss – held for trading *HK$'000*	Loans and receivables *HK$'000*	Total *HK$'000*
Accounts and bills receivable	–	296,300	296,300
Financial assets included in prepayments, deposits and other receivables	–	5,093	5,093
Equity investment at fair value through profit or loss	703	–	703
Derivative financial instruments	6,913	–	6,913
Due from a minority shareholder	–	101	101
Pledged deposits	–	12,887	12,887
Cash and cash equivalents	–	113,182	113,182
	7,616	427,563	435,179

Financial liabilities

	Financial liabilities at fair value through profit or loss – held for trading *HK$'000*	Financial liabilities at amortised cost *HK$'000*	Total *HK$'000*
Accounts and bills payable	–	232,280	232,280
Financial liabilities included in accrued liabilities and other payables	–	20,184	20,184
Derivative financial instruments	4,842	–	4,842
Interest-bearing bank and other borrowings	–	743,062	743,062
Bank advances for discounted bills	–	39,025	39,025
	4,842	1,034,551	1,039,393

39. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows: *(continued)*

2008 **Company**

Financial assets

	Loans and receivables *HK$'000*
Due from subsidiaries	**218,832**
Cash and cash equivalents	**293**
	219,125

Financial liability

	Financial liability at amortised cost *HK$'000*
Due to a subsidiary	**78**

2007 Company

Financial assets

	Loans and receivables *HK$'000*
Due from a subsidiary	221,941
Cash and cash equivalents	5,444
	227,385

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40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise interest-bearing bank and other borrowings, finance leases and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as accounts and bills receivable, accounts and bills payable and amounts due from minority shareholders and an associate, which arise directly from its operations.

The Group also enters into derivative transactions, including principally interest rate swaps and forward currency contracts. The purpose is to manage the interest rate risk and currency risk arising from the Group's operations and its source of finance.

The main risks arising from the Group's financial instruments are interest rate risk, market risk, commodity price risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's net debt obligations with a floating interest rate. The bank borrowings bear interest at interest rates with reference to HIBOR, LIBOR, Hong Kong prime rate, PBOC, etc. The Group believes that the exposure to the risk of changes in market interest rates is minimal. In order to minimise the impact of interest rate exposure, the Group has entered into interest rate swaps with creditworthy banks to manage its interest rate exposure.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate net borrowings).

	Group	
	Change in interest rate	**Change in the Group's profit before tax**
	%	*HK$'000*
2008		
Hong Kong dollar – HIBOR	**1.5**	**10,615**
United States dollar – LIBOR	**1.5**	**2,022**
2007		
Hong Kong dollar – HIBOR	1	3,899
Hong Kong dollar – Hong Kong prime rate	0.4	187
United States dollar – LIBOR	0.5	1,455

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Market risk

The Group trades in financial instruments, including derivatives and equity securities.

Market risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate due to changes in market variables, such as interest rates, foreign exchange rates and equity prices. The Group is exposed to market risk through its derivative financial instruments and other investments.

Commodity price risk

The major raw materials used in the production of the Group's products include yarns and dyeing chemicals. The Group is exposed to fluctuations in the prices of these raw materials which are influenced by global as well as regional supply and demand conditions. Fluctuations in the prices of raw materials could adversely affect the Group's financial performance. The Group historically has not entered into any commodity derivative instruments to hedge the potential commodity price changes.

Foreign currency risk

Foreign currency risk is the risk of losses due to adverse movements in foreign exchange rates relating to investments denominated in foreign currencies. The Group has transactional currency exposures. Such exposure arises as a substantial portion of sales and purchase transactions is conducted by the Group's subsidiaries in United States dollars and RMB with the counterparties.

The Group's assets and liabilities are primarily denominated in Hong Kong dollars and RMB. When seeking to optimise the returns on its funds available for investment, the Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. In order to minimise the impact of foreign exchange exposure, the Group has entered into forward currency contracts with creditworthy banks to manage its exchange rate exposure.

The following table demonstrates the sensitivity at the balance sheet date to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity (due to changes in the fair value of forward currency contracts).

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40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Foreign currency risk *(continued)*

	Increase/ (decrease) in RMB rate %	Increase/ (decrease) in the Group's profit before tax HK$'000	Increase/ (decrease) in the Group's equity* HK$'000
2008			
If Hong Kong dollar weakens against RMB	**3**	**(5,874)**	**(9,302)**
If Hong Kong dollar strengthens against RMB	**(3)**	**5,874**	**9,302**
2007			
If Hong Kong dollar weakens against RMB	5	(4,692)	(7,053)
If Hong Kong dollar strengthens against RMB	(5)	4,692	7,053

* Excluding retained earnings

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

Since the Group trades only with recognised and creditworthy third parties, there is generally no requirement for collateral.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, an equity investment at fair value through profit or loss, amounts due from minority shareholders and an associate and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Company is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in note 35(a) to the financial statements.

The Group's credit risk exposure is spread over a number of counterparties and customers. Hence, it has no significant concentration of credit risk by a single debtor.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk

The Group monitors its risk to a shortage of funds by considering the maturity of both its financial instruments and financial assets (e.g. accounts and bills receivable) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bills payable and interest-bearing bank and other borrowings to meet its working capital and capital expenditure requirements.

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contractual undiscounted payments, was as follows:

Group

	2008		
	On demand or less than 12 months *HK$'000*	1 to 5 years *HK$'000*	Total *HK$'000*
Accounts and bills payable	312,017	–	312,017
Financial liabilities included in accrued liabilities and other payables	43,653	–	43,653
Derivative financial instruments	20,032	–	20,032
Interest-bearing bank and other borrowings	524,450	363,412	887,862
Bank advances for discounted bills	71,088	–	71,088
	971,240	363,412	1,334,652

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40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk *(continued)*

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contractual undiscounted payments, was as follows: *(continued)*

Group *(continued)*

	2007		
	On demand or less than 12 months	1 to 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*
Accounts and bills payable	232,280	–	232,280
Financial liabilities included in accrued liabilities and other payables	20,184	–	20,184
Derivative financial instruments	4,842	–	4,842
Interest-bearing bank and other borrowings	328,116	414,946	743,062
Bank advances for discounted bills	39,025	–	39,025
	624,447	414,946	1,039,393

The maturity profile of the Company's financial liability as at the balance sheet date based on contractual undiscounted payments, was less than one year.

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2008 and 31 December 2007.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management *(continued)*

The Group monitors capital using a gearing ratio, which is net debt divided by the total equity. Net debt comprises all interest-bearing bank and other borrowings, bank advances for discounted bills, accounts and bills payable and accrued liabilities and other payables less cash and cash equivalents. The total equity comprises owner's equity as stated in the consolidated balance sheet.

The Group's strategy was to maintain the gearing ratio at a healthy capital level in order to support its business. The gearing ratios of the Group as at the balance sheet dates were as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Interest-bearing bank and other borrowings	**887,862**	743,062
Bank advances for discounted bills	**71,088**	39,025
Accounts and bills payable	**312,017**	232,280
Accrued liabilities and other payables	**97,108**	60,131
Less: Cash and cash equivalents	**(137,539)**	(113,182)
Net debt	**1,230,536**	961,316
Equity attributable to ordinary equity holders	**1,148,119**	942,992
Total capital	**1,148,119**	942,992
Capital and net debt	**2,378,655**	1,904,308
Gearing ratio	**51.7%**	50.5%

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 21 April 2009.

Five Year Financial Summary

31 December 2008

A summary of the published results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out below:

RESULTS

	Year ended 31 December				
	2008	2007	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE	**2,586,617**	2,230,764	2,013,889	1,499,403	1,315,650
Profit before tax	**91,656**	127,535	121,806	90,262	124,983
Tax	**(11,015)**	(17,617)	(20,659)	(11,312)	(20,221)
Profit for the year	**80,641**	109,918	101,147	78,950	104,762
Attributable to:					
Ordinary equity holders of the Company	**81,700**	109,960	101,125	78,959	104,762
Minority interests	**(1,059)**	(42)	22	(9)	–
	80,641	109,918	101,147	78,950	104,762

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31 December				
	2008	2007	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TOTAL ASSETS	**2,600,829**	2,053,599	1,996,233	1,663,388	1,185,585
TOTAL LIABILITIES	**(1,409,405)**	(1,093,332)	(1,197,498)	(986,154)	(581,475)
MINORITY INTERESTS	**(43,305)**	(17,275)	(317)	(105)	–
	1,148,119	942,992	798,418	677,129	604,110