

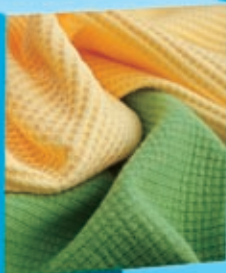
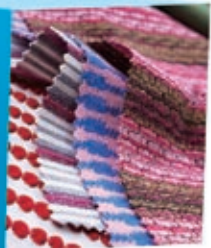


KAM HING INTERNATIONAL HOLDINGS LIMITED

錦興國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 2307



Interim Report **2009**



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## CORPORATE INFORMATION

### Board of Directors

#### *Executive Directors*

Mr. Tai Chin Chun (*Chairman*)  
Mr. Tai Chin Wen (*Chief Executive Officer*)  
Ms. Cheung So Wan  
Ms. Wong Siu Yuk  
Mr. Chong Chau Lam  
Mr. Wong Wai Kong, Elmen

#### *Independent Non-Executive Directors*

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

### Audit Committee

Mr. Chan Yuk Tong, Jimmy (*Chairman*)  
Ms. Chu Hak Ha, Mimi  
Mr. Chan Chung Yuen, Lawrence

### Company Secretary

Mr. Wong Wai Kong, Elmen

### Auditors

Ernst & Young  
*Certified Public Accountants*

### Company's Website

[www.kamhingintl.com](http://www.kamhingintl.com)

### Registered Office

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

### Head Office and Principal Place of Business in Hong Kong

Units 1-9, 8th Floor  
Lucida Industrial Building  
43-47 Wang Lung Street  
Tsuen Wan  
New Territories  
Hong Kong

### Principal Share Registrar and Transfer Office in Cayman Islands

HSBC Trustee (Cayman) Limited  
PO Box 484  
HSBC House  
68 West Bay Road  
Grand Cayman KY1-1106  
Cayman Islands

### Branch Share Registrar and Transfer Office in Hong Kong

Tricor Investor Services Limited  
26th Floor, Tesbury Centre  
28 Queen's Road East  
Wanchai  
Hong Kong

### Stock Code

The Stock Exchange of Hong Kong  
Limited: 2307  
CUSIP Reference Number: G5213T101

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

The board (the "Board") of directors (the "Directors") of Kam Hing International Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2009 (the "Period"). The interim financial information has not been audited but has been reviewed by the Audit Committee (the "Audit Committee") of the Company.

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

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

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

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

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

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

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

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

### **Financial Review**

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

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

Net profit attributable to shareholders for the six months ended 30 June 2009 was approximately HK\$46.3 million, representing a decrease of approximately 9.7% as compared with the corresponding period last year. Net profit margin for the six months ended 30 June 2009 was approximately 3.7%, representing a decrease by approximately 0.7 percentage points from the corresponding period of approximately 4.4% last year. Administrative and selling expenses decreased by approximately 0.9% over the corresponding period last year, which was mainly attributable to reduction in transportation cost due to slowdown of global economy and strict control of the Group's expenditure during the Period. Finance expenses reduced by approximately

45.4% to approximately HK\$9.5 million from approximately HK\$17.4 million in the same period last year as a result of decrease in market borrowing rate and the repayment of bank borrowings. Other income increased by approximately 35.3% to approximately HK\$9.2 million from HK\$6.8 million in the same period last year as a result of the increase in sales of steam generated by the power plant to the nearby factories.

#### *Liquidity, financial resources and capital structure*

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

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

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

### *Exposure to fluctuation in foreign exchange and interest rate*

Approximately 77.6% (six months ended 30 June 2008: approximately 76.7%) of the Group's sales were denominated in US dollars. The remaining sales were denominated in Hong Kong dollars and Renminbi. The majority of the Group's cost of sales was denominated in US dollars, Hong Kong dollars and Renminbi. The Group was therefore exposed to foreign exchange risk arising from currency exposures, primarily with respect to US dollars and Renminbi. Renminbi became relatively stable during the Period. The management closely monitors the foreign exchange movements and determines the appropriate hedging activities when necessary. Exchange rates of the other currencies were relatively stable throughout the Period.

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

### *Charge on the Group's assets*

As at 30 June 2009, certain items of property, plant and equipment of the Group with an aggregate net book value of approximately HK\$93.2 million (31 December 2008: approximately HK\$120.4 million) were under finance leases. As at 30 June 2009, bank deposits of approximately HK\$19.3 million (31 December 2008: approximately HK\$8.8 million) were pledged to bank to secure certain banking facilities.

### *Capital expenditure*

During the Period, the Group invested approximately HK\$86.1 million (six months ended 30 June 2008: approximately HK\$159.3 million) in non-current assets, of which approximately 87.1% (six months ended 30 June 2008: approximately 80.7%) was used for the purchase of plant and machinery, approximately 9.2% (six months ended 30 June 2008: approximately 16.5%) was used for the purchase and construction of new factory premises, and the remaining was used for the purchase of other property, plant and equipment.



As at 30 June 2009, the Group had capital commitments of approximately HK\$55.9 million (31 December 2008: approximately HK\$65.1 million) in respect of property, plant and equipment which are to be funded by internal resources of the Group. As mentioned above, the Group will be able to fulfill its capital commitments when they fall due.

#### *Contingent liabilities*

As at 30 June 2009, the Group had bills discounted with recourse of approximately HK\$33.8 million (31 December 2008: approximately HK\$16.5 million) which are supported by letters of credit. The Group had a contingent liability in respect of possible future long service payments to employees with a maximum possible amount of approximately HK\$1.7 million (31 December 2008: approximately HK\$1.6 million).

#### *Material Acquisition and Disposal*

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

#### **Major Development**

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

#### **Prospect**

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

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

## **Human Resources**

As at 30 June 2009, the total number of employees of the Group was approximately 5,100 (31 December 2008: 4,430) in the PRC, 4,650 (31 December 2008: 5,100) in Madagascar, Africa, 160 (31 December 2008: 140) in Hong Kong, Macau, Singapore and Korea. Salaries of employees are maintained at competitive levels while bonuses are granted on a discretionary basis. The Group also participates in various defined contribution plans and insurance schemes in compliance with its statutory obligations under the laws and regulations of various locations worldwide.

## **Interim Dividend**

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

## **Disclosures Pursuant to Rules 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 Guarantor, a wholly-owned subsidiary of the Company as the borrower and a syndicate of banks as the lenders for a four-year term loan facility of HK\$440 million, an event of default would arise if (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.

## OTHER INFORMATION

### Directors' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2009, 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 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:*

<b>Name of director</b>	<i>Notes</i>	<b>Capacity and nature of interest</b>	<b>Number of shares</b>	<b>Approximate percentage of the Company's issued share capital</b>
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		Through spouse	1,298,000	0.20%

*Long positions in share options of the Company:*

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

*Long positions in shares of an associated corporation:*

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

*Notes:*

1. The shares are held by Exceed Standard, a company incorporated in the British Virgin Islands (the "BVI") and beneficially owned by Mr. Tai Chin Chun, the chairman and an executive Director. Mr. Tai Chin Chun is the younger brother of Mr. Tai Chin Wen and Ms. Cheung So Wan is the spouse of Mr. Tai Chin Chun.
2. The shares are held by Power Strategy Limited ("Power Strategy"), a company incorporated in the BVI and beneficially owned by Mr. Tai Chin Wen.
3. Ms. Cheung So Wan is deemed to be interested in these shares through the interest of her spouse, Mr. Tai Chin Chun under the SFO.
4. Ms. Wong Siu Yuk is deemed to be interested in these shares through the interest of her spouse, Mr. Tai Chin Wen under the SFO.

Save as disclosed above, as at 30 June 2009, 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.

### **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.

Pursuant to the Company's share option scheme, the following share options were outstanding as at 30 June 2009:

Name or category of participant	Number of share options					At 30 June 2009	Date of grant share option (Note 1)	Exercise period of share option	Exercise price of share options (Note 2)	Price of the Company's shares at the grant date of options (Note 3)
	At 1 January 2009	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period					
<i>Directors</i>										
Mr. Tai Chin Chun	3,000,000	-	-	-	-	3,000,000	6 October 2004	6 October 2005 to 5 October 2014	HK\$1.28	HK\$1.24
Mr. Tai Chin Wén	2,000,000	-	-	-	-	2,000,000	6 October 2004	6 October 2005 to 5 October 2014	HK\$1.28	HK\$1.24
Ms. Cheung So Wan	1,000,000	-	-	-	-	1,000,000	6 October 2004	6 October 2005 to 5 October 2014	HK\$1.28	HK\$1.24
Ms. Wong Siu Yuk	1,000,000	-	-	-	-	1,000,000	6 October 2004	6 October 2005 to 5 October 2014	HK\$1.28	HK\$1.24
Mr. Wong Wai Kong, Elmen	1,000,000	-	-	-	-	1,000,000	6 October 2004	6 October 2005 to 5 October 2014	HK\$1.28	HK\$1.24
	5,100,000	-	-	-	(5,100,000)	-	2 November 2007	2 November 2008 to 1 February 2009	HK\$2.47	HK\$2.34
Subtotal	<u>13,100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,100,000)</u>	<u>8,000,000</u>				
<i>Non-director employees</i>										
In aggregate	8,347,000	-	-	-	(60,000)	8,287,000	6 October 2004	6 October 2005 to 5 October 2014	HK\$1.28	HK\$1.24
	34,850,000	-	-	-	(34,850,000)	-	2 November 2007	2 November 2008 to 1 February 2009	HK\$2.47	HK\$2.34
	<u>43,197,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(34,910,000)</u>	<u>8,287,000</u>				
<i>Others</i>										
In aggregate	520,000	-	-	-	-	520,000	6 October 2004	6 October 2005 to 5 October 2014	HK\$1.28	HK\$1.24
	2,500,000	-	-	-	(2,500,000)	-	2 November 2007	2 November 2008 to 1 February 2009	HK\$2.47	HK\$2.34
	<u>3,020,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,500,000)</u>	<u>520,000</u>				
Total	<u>59,317,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(42,510,000)</u>	<u>16,807,000</u>				

*Notes:*

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.
2. The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.
3. The price of the Company's shares disclosed at the grant date of options is the higher of closing price of the Company's shares on the Stock Exchange on the trading day or the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately prior to the date of offer of the grant of the options.

### **Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares**

So far as is known to the directors and the chief executive of the Company, as at 30 June 2009, 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:*

<b>Name</b>	<b>Capacity and nature of interest</b> <i>(Note)</i>	<b>Number of ordinary share held</b>	<b>Percentage of the Company's issued share capital</b>
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 Period are separately disclosed in the section "Share Option Scheme" above.

Saved as disclosed above, as at 30 June 2009, to the best knowledge of the Directors, there was no person, other than the Directors whose interests are set out under the sections “Directors’ Interests and Short Positions in Shares and Underlying Shares” and “Share Option Scheme” above, had an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register pursuant to Section 336 of the SFO.

### **Purchase, Redemption or Sale of Listed Securities of the Company**

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

### **Code on Corporate Governance Practices**

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

### **Audit Committee**

The audit committee comprises three independent non-executive Directors, namely Mr. Chan Yuk Tong, Jimmy (Chairman), Ms. Chu Hak Ha, Mimi and Mr. Chan Chung Yuen, Lawrence. The audit committee is primarily responsible for reviewing and supervising the financial reporting and the internal control of the Group. The audit committee has reviewed the Group’s interim report for the six months ended 30 June 2009.

### **Model Code For Securities Transactions By Directors**

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the Company’s code of conduct for dealings in securities of the Company by the Directors. Having made specific enquiry of all Directors, the Directors have confirmed that they have complied with the required standard set out in the Model Code and its code of conduct regarding Directors’ securities transaction for the six months ended 30 June 2009.

### **Approval of the Unaudited Interim Financial Statements**

The audit committee has discussed with management the accounting policies adopted by the Group and reviewed the unaudited interim financial statements of the Group for the six months ended 30 June 2009 before recommending them to the Board for approval. The unaudited interim financial statements were approved and authorised for issue by the Board on 15 September 2009.



## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2009

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

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

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

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2009

	Notes	30 June 2009 HK\$'000 (Unaudited)	31 December 2008 HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	1,417,276	1,397,747
Prepaid land lease payments		62,681	63,458
Intangible assets		2,776	2,973
Interest in a jointly-controlled entity		10,757	10,941
Interest in associates		1,100	1,100
Deposits paid		18,118	21,436
		<hr/>	<hr/>
Total non-current assets		1,512,708	1,497,655
<b>CURRENT ASSETS</b>			
Inventories		547,069	448,019
Accounts and bills receivable	9	470,890	459,337
Prepayments, deposits and other receivables		23,345	24,103
Equity investments at fair value through profit or loss		243	349
Derivative financial instruments		2,580	1,459
Due from minority shareholders		–	20,258
Due from an associate		3,287	3,287
Pledged deposits		19,344	8,823
Cash and cash equivalents		168,223	137,539
		<hr/>	<hr/>
Total current assets		1,234,981	1,103,174
<b>CURRENT LIABILITIES</b>			
Accounts and bills payable	10	519,212	312,017
Accrued liabilities and other payables		109,782	97,108
Derivative financial instruments		7,613	20,032
Tax payable		24,330	20,532
Bank advances for discounted bills		7,098	71,088
Interest-bearing bank and other borrowings		558,859	524,450
		<hr/>	<hr/>
Total current liabilities		1,226,894	1,045,227
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		8,087	57,947
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,520,795	1,555,602

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(continued)

As at 30 June 2009

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

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2009

	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
	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 2008											
(Audited)	64,413	128,237	6,833	104,804	27,803	92,034	491,170	27,698	942,992	17,275	960,267
Profit for the period	-	-	-	-	-	-	51,256	-	51,256	(993)	50,263
Other comprehensive income	-	-	-	-	-	124,372	-	-	124,372	-	124,372
Total comprehensive income for the period	-	-	-	-	-	124,372	51,256	-	175,628	(993)	174,635
Contribution from minority shareholders	-	-	-	-	-	-	-	-	-	6,899	6,899
2007 final dividend	-	-	-	-	-	-	-	(27,698)	(27,698)	-	(27,698)
Issue of shares	45	537	-	-	-	-	-	-	582	-	582
Transfer to share premium account upon exercise of share options	-	103	(103)	-	-	-	-	-	-	-	-
Equity-settle share option arrangement	-	-	8,700	-	-	-	-	-	8,700	-	8,700
Transfer to statutory surplus reserve	-	-	-	-	1,343	-	(1,343)	-	-	-	-
	<u>64,458</u>	<u>128,877</u>	<u>15,430</u>	<u>104,804</u>	<u>29,146</u>	<u>216,406</u>	<u>541,083</u>	<u>-</u>	<u>1,100,204</u>	<u>23,181</u>	<u>1,123,385</u>
At 30 June 2008											
(Unaudited)	64,458	128,877	15,430	104,804	29,146	216,406	541,083	-	1,100,204	23,181	1,123,385
At 1 January 2009											
(Audited)	64,458	128,877	21,237	104,804	30,506	228,069	570,168	-	1,148,119	43,305	1,191,424
Profit for the period	-	-	-	-	-	-	46,260	-	46,260	(1,127)	45,133
Total comprehensive income for the period	-	-	-	-	-	-	46,260	-	46,260	(1,127)	45,133
Transfer to statutory surplus reserve	-	-	-	-	1,631	-	(1,631)	-	-	-	-
Transfer to retained profits	-	-	(17,422)	-	-	-	17,422	-	-	-	-
	<u>64,458</u>	<u>128,877</u>	<u>3,815</u>	<u>104,804</u>	<u>32,137</u>	<u>228,069</u>	<u>632,219</u>	<u>-</u>	<u>1,194,379</u>	<u>42,178</u>	<u>1,236,557</u>
At 30 June 2009											
(Unaudited)	64,458	128,877	3,815	104,804	32,137	228,069	632,219	-	1,194,379	42,178	1,236,557

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2009

	Six months ended 30 June 2009 HK\$'000 (Unaudited)	Six months ended 30 June 2008 HK\$'000 (Unaudited)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	<b>242,388</b>	(7,111)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	<b>(76,268)</b>	(147,010)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	<b>(135,436)</b>	132,637
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<b>30,684</b>	(21,484)
Cash and cash equivalents at beginning of period	<b>137,539</b>	113,182
Effect of foreign exchange rate changes, net	–	1,965
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<b>168,223</b>	93,663
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<b>168,223</b>	93,663

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

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

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

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

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

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

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

#### **HKFRS 8 *Operating segments***

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

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

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

## 1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (continued)

### HKFRS 8 *Operating segments* (continued)

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

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

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

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

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

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

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



## 2. SEGMENT INFORMATION

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

- (a) Fabric includes production and sale of knitted fabric, dyed yarn and provision of related subcontracting services;
- (b) Garment includes production and sale of garment products and provision of related subcontracting services; and
- (c) Others include provision of air and ocean freight services and mining.

Six months ended 30 June 2009 (Unaudited)	Fabric HK\$'000	Garment HK\$'000	Others HK\$'000	Adjustments and eliminations HK\$'000	Total HK\$'000
<b>Revenue</b>					
Revenue from external customers	1,132,116	103,410	-	-	1,235,526
Intersegment revenue	61,715	39	-	(61,754)	-
<b>Total revenue</b>	<b>1,193,831</b>	<b>103,449</b>	<b>-</b>	<b>(61,754)</b>	<b>1,235,526</b>
Segment profit/(losses)	52,078	8,934	(51)	(1,124)	59,837
Finance income	89	1	-	-	90
Finance cost	(9,336)	(113)	(1)	-	(9,450)
Share of profit less losses of a jointly-controlled	(184)	-	-	-	(184)
<b>Profit/(loss) before tax</b>	<b>42,647</b>	<b>8,822</b>	<b>(52)</b>	<b>(1,124)</b>	<b>50,293</b>
Tax	(5,124)	-	(36)	-	(5,160)
<b>Profit/(loss) for the period</b>	<b>37,523</b>	<b>8,822</b>	<b>(88)</b>	<b>(1,124)</b>	<b>45,133</b>
<b>Material items</b>					
Depreciation and amortisation	65,463	1,711	248	-	67,422
Capital expenditure	85,776	364	-	-	86,140
<b>Assets and liabilities</b>					
Segment assets	2,710,195	112,810	10,746	(97,788)	2,735,963
Interests in a jointly-controlled entity	10,757	-	-	-	10,757
Interests in associates	-	-	1,100	-	1,100
<b>Total assets</b>	<b>2,720,952</b>	<b>112,810</b>	<b>11,846</b>	<b>(97,788)</b>	<b>2,747,820</b>
Segment liabilities	1,473,952	32,581	4,157	-	1,510,690
Deferred tax liabilities	573	-	-	-	573
<b>Total liabilities</b>	<b>1,474,525</b>	<b>32,581</b>	<b>4,157</b>	<b>-</b>	<b>1,511,263</b>

## 2. SEGMENT INFORMATION (continued)

Six months ended 30 June 2008 (Unaudited)	Fabric HK\$'000	Garment HK\$'000	Others HK\$'000	Adjustments and eliminations HK\$'000	Total HK\$'000
<b>Revenue</b>					
Revenue from external customers	1,007,457	144,339	–	–	1,151,796
Intersegment revenue	62,098	–	–	(62,098)	–
<b>Total revenue</b>	<b>1,069,555</b>	<b>144,339</b>	<b>–</b>	<b>(62,098)</b>	<b>1,151,796</b>
Segment profit/(losses)	57,879	14,515	(1,094)	(606)	70,694
Finance income	291	22	42	–	355
Finance cost	(17,358)	(47)	(1)	–	(17,406)
<b>Profit/(loss) before tax</b>	<b>40,812</b>	<b>14,490</b>	<b>(1,053)</b>	<b>(606)</b>	<b>53,643</b>
Tax	(3,380)	–	–	–	(3,380)
<b>Profit/(loss) for the period</b>	<b>37,432</b>	<b>14,490</b>	<b>(1,053)</b>	<b>(606)</b>	<b>50,263</b>
<b>Material items</b>					
Depreciation and amortization	60,130	1,557	241	–	61,928
Capital expenditure	156,916	719	1,677	–	159,312
<b>Assets and liabilities</b>					
Segment assets	2,558,139	120,425	6,888	(96,664)	2,588,788
Interests in a jointly-controlled entity	10,941	–	–	–	10,941
Interests in associates	–	–	1,100	–	1,100
Total assets	<b>2,569,080</b>	<b>120,425</b>	<b>7,988</b>	<b>(96,664)</b>	<b>2,600,829</b>
Segment liabilities	1,375,075	29,653	3,911	–	1,408,639
Deferred tax liabilities	766	–	–	–	766
Total liabilities	<b>1,375,841</b>	<b>29,653</b>	<b>3,911</b>	<b>–</b>	<b>1,409,405</b>

### 3. REVENUE, OTHER INCOME AND GAINS, NET

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and services provided by the Group. All significant intra-group transactions have been eliminated on consolidation.

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

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

#### 4. PROFIT BEFORE TAX

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

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

## 5. TAX

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

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

## 6. DIVIDEND

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

## 7. EARNINGS PER SHARE

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

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

## 8. PROPERTY, PLANT AND EQUIPMENT

The changes in the net book value of property, plant and equipment for the six months ended 30 June 2009 are analysed as follows:

	<i>HK\$'000</i>
At 1 January 2009 (Audited)	1,397,747
Additions/Transfers	86,140
Disposals	(124)
Depreciation	<u>(66,487)</u>
At 30 June 2009 (Unaudited)	<u>1,417,276</u>

As at 30 June 2009, 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 (31 December 2008: HK\$15.8 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.

## 9. ACCOUNTS AND BILLS RECEIVABLE

The Group's trading term with its customers are generally on credit with terms of up to 2 months and are non-interest bearing (except for certain well-established customers having strong financial strength, good repayment history and credit worthiness, where the credit terms are extended to 4 months). The Group seeks to strict control over its outstanding receivable and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's accounts and bills receivable relate to a large number of diversified customers, there is no significant concentration of credit risk.

## 9. ACCOUNTS AND BILLS RECEIVABLE (continued)

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

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

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

Included in the above accounts and bills receivable as at 30 June 2009, HK\$7,098,000 (31 December 2008: HK\$71,088,000) were discounted to banks in exchange for cash and included as "Bank advances for discounted bills" in consolidated statement of financial position.

## 10. ACCOUNTS AND BILLS PAYABLE

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

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

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

## 11. CONTINGENT LIABILITIES

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

	<b>30 June 2009 HK\$'000 (Unaudited)</b>	31 December 2008 HK\$'000 (Audited)
Discounted bills with recourse supported by letters of credit	<b>33,799</b>	16,480

- (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\$1,670,000 (31 December 2008: HK\$1,603,000) as at 30 June 2009. The contingent liability has arisen because, at the end of the reporting period, a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance if their employment is terminated under certain circumstances. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

## 12. COMMITMENTS

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

### Capital Commitments

	<b>30 June 2009 HK\$'000 (Unaudited)</b>	31 December 2008 HK\$'000 (Audited)
Contracted but not provided for:		
Purchases of land and building	<b>668</b>	–
Purchases of machinery	<b>3,596</b>	3,571
Purchase of motor vehicle	<b>715</b>	–
Construction in progress	<b>49,340</b>	60,752
Investment in a jointly-controlled entity	<b>26,202</b>	26,202
	<b>80,521</b>	90,525



## 12. COMMITMENTS (continued)

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:

	<b>30 June 2009 HK\$'000 (Unaudited)</b>	31 December 2008 HK\$'000 (Audited)
Contracted but not provided for:		
Purchases of machinery	<b>1,612</b>	826

## 13. RELATED PARTY TRANSACTIONS

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

	<b>Six months ended 30 June 2009 HK\$'000 (Unaudited)</b>	Six months ended 30 June 2008 HK\$'000 (Unaudited)
	<i>Notes</i>	
Rental expenses paid to Mr. Tai Chin Chun and Mr. Tai Chin Wen	<i>(i)</i>	186
Rental expenses paid to a minority shareholder	<i>(ii)</i>	–
Purchases of raw materials from a jointly-controlled entity	<i>(iii)</i>	–

### 13. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

Notes:

- (i) The Group entered into tenancy agreements with Mr. Tai Chin Chun and Mr. Tai Chin Wen, Directors of the Company, for the rental of office premises and a staff quarter at monthly rentals of totaling HK\$31,000 for terms of two years, based on the prevailing market rentals.
  - (ii) The Group entered into tenancy agreements with a minority shareholder of the Group for the rental of an office premise and car parks at monthly rental of totaling HK\$21,875 for terms of three years, based on the prevailing market rentals.
  - (iii) The related party transactions were carried out in accordance with the terms mutually agreed by the respective parties with reference to the prevailing market price.
- (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 (31 December 2008: HK\$3.2 million) as at 30 June 2009.

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.

(c) Outstanding balances with related parties:

- (i) The outstanding balance with an associate is unsecured, interest-free and repayable on demand.
- (ii) As at 30 June 2009, there was a loan from a minority shareholder of the Group amounting to HK\$8,000,000 (31 December 2008: Nil). The loan is unsecured, interest-free and repayable after one year.

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

	<b>Six months ended 30 June 2009 HK\$'000 (Unaudited)</b>	Six months ended 30 June 2008 HK\$'000 (Unaudited)
Short-term employee benefits	<b>7,107</b>	6,082
Post-employment benefits	<b>50</b>	48
	<b>7,157</b>	6,130

#### 14. EVENTS AFTER THE REPORTING PERIOD

- (i) On 3 July 2009, pursuant to the share option scheme adopted by the Company on 25 August 2004 as refreshed on 26 May 2008, 63,800,000 share options were granted to grantees, each share option carries the right to subscribe for one share. The exercise price of the share options granted is HK\$0.66 per share and the validity period of the share options is from the date of acceptance of the share option up to 2 January 2011, both dates inclusive.
- (ii) On 10 August 2009, Exceed Standard and seven subscribers entered into the shares placing agreements pursuant to which the subscribers have agreed to purchase a total of 30,000,000 existing shares from Exceed Standard at the placing price of HK\$1.20 per share. On the same date, Exceed Standard and the Company entered into the subscription agreement pursuant to which Exceed Standard has conditionally agreed to subscribe for the 30,000,000 new shares at the subscription price of HK\$1.20 per Share, which is the same as the placing price. The top-up placing was completed on 20 August 2009.

On 10 August 2009, the Company and the above-mentioned subscribers entered into the warrant placing agreements pursuant to which the subscribers have agreed to subscribe for a total of 30,000,000 warrants at the warrant issue price of HK\$0.05 per warrant. The warrants entitle the subscribers to subscribe for a total of 30,000,000 new shares at the exercise price of HK\$1.50 per new share (subject to adjustment) for a period of 12 months commencing from the date of issue of the warrants. Each warrant carries the right to subscribe for one new warrant share. The issue of warrants was completed on 24 August 2009.

- (iii) On 18 August 2009, the Company and China National Coal entered into the strategic framework agreement, pursuant to which, the Company and China National Coal agreed to set out the strategic cooperation framework for the development of coal and other business in the PRC in the period of five years. The agreement is at a preliminary stage and there is no capital commitment on the part of the Company to be contributed pursuant to the agreement.

#### 15. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the Board on 15 September 2009.