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CHING HING GROUP

CHING HING (HOLDINGS) LIMITED

Stock Code: 692



Interim Report

2009



Cachet Certified Public Accountants Limited

德揚會計師事務所有限公司

13F Neich Tower, 128 Gloucester Road, Wanchai, Hong Kong

Report on Review of Interim Financial Statements

To the board of directors of Ching Hing (Holdings) Limited

(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial statements of Ching Hing (Holdings) Limited and its subsidiaries set out on pages 2 to 28, which comprise the condensed consolidated statement of financial position as at 30 June 2009 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six months then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") require the preparation of a report on interim financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The directors are responsible for the preparation and presentation of these interim financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these interim financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these interim financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Cachet Certified Public Accountants Limited

Certified Public Accountants

Chan Yuk Tong

Practising Certificate Number P03723

Hong Kong
24 September 2009

Ching Hing (Holdings) Limited

Condensed Consolidated Statement of Income

For the six months ended 30 June 2009

		Six months ended 30 June 2009	2008
	<i>Notes</i>	HK\$'000 (Unaudited)	HK\$'000 (Unaudited) Restated
Continuing operations			
Revenue	3	145,818	157,217
Cost of sales		(128,102)	(145,159)
Gross profit		17,716	12,058
Other income		1,727	606
Distribution costs		(7,100)	(8,506)
Administrative expenses		(7,688)	(9,174)
Other operating expenses		(1,451)	(4,586)
Operating profit/(loss)	5	3,204	(9,602)
Finance costs		(1,749)	(1,984)
Profit/(loss) before tax		1,455	(11,586)
Tax	6	(1,143)	(2,134)
Profit/(loss) for the period from continuing operations		312	(13,720)
Discontinued operation			
Loss for the period from discontinued operation	7	—	(15,553)
Profit/(loss) for the period		312	(29,273)
Attributable to:			
Equity holders of the Company		(2,197)	(32,354)
Minority interests		2,509	3,081
Profit/(loss) for the period		312	(29,273)
Dividend	8	—	—
Loss per share attributable to ordinary equity holders of the Company	9		
Basic			
— For loss for the period		(0.57 cents)	(8.42 cents)
— For loss from continuing operations		(0.57 cents)	(4.37 cents)
Diluted			
— For loss for the period		N/A	N/A
— For loss from continuing operations		N/A	N/A

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2009

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit/(loss) for the period	312	(29,273)
Exchange difference arising from translation of financial statements of overseas subsidiaries	98	2,572
Total comprehensive income for the period, net of tax	410	(26,701)
Total comprehensive income attributable to:		
Equity holders of the Company	(2,099)	(29,782)
Minority interests	2,509	3,081
	410	(26,701)

Condensed Consolidated Statement of Financial Position

As at 30 June 2009

		30 June 2009	31 December 2008
	<i>Notes</i>	HK\$'000 (Unaudited)	<i>HK\$'000 (Audited)</i>
Non-current assets			
Property, plant and equipment		2,844	3,460
Investment properties		57,828	57,802
Available-for-sale investment		590	590
		61,262	61,852
Current assets			
Trade and bills receivables	10	18,130	32,810
Other receivables, prepayments and deposits		1,228	1,237
Bank deposits		17,421	23,427
Cash and bank balances		27,266	14,698
		64,045	72,172
Assets held for disposal	7	15,451	15,444
		79,496	87,616
Current liabilities			
Bank overdrafts, secured		3,116	6,332
Interest-bearing bank borrowings, secured		10,062	11,776
Trust receipt loans, secured		8,249	9,503
Trade and bills payables	11	23,920	25,925
Other payables and accruals		9,029	11,047
Due to a director	17	—	1,200
Due to a shareholder	17	6,013	6,013
Due to a related company	17	733	733
Finance lease payables	12	289	308
Tax payable		4,010	2,879
		65,421	75,716
Net current assets		14,075	11,900
Total assets less current liabilities		75,337	73,752

Ching Hing (Holdings) Limited

Condensed Consolidated Statement of Financial Position *(Continued)*

As at 30 June 2009

		30 June 2009	31 December 2008
	<i>Notes</i>	HK\$'000 (Unaudited)	<i>HK\$'000 (Audited)</i>
Non-current liabilities			
Due to a director	17	1,200	—
Due to a related company	17	8,116	8,478
Finance lease payables	12	528	663
		9,844	9,141
Net assets		65,493	64,611
Equity			
Equity attributable to shareholders of the Company			
Issued capital	13	19,217	19,217
Reserves		40,136	41,763
		59,353	60,980
Minority interests		6,140	3,631
Total equity		65,493	64,611

Ching Hing (Holdings) Limited

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2009

	Attributable to equity holders of the Company										
	Issued capital	Share premium	Property revaluation reserves	Statutory surplus reserves	Employee	Capital reserves	Exchange reserves	Accumulated losses	Total	Minority interests	Total equity
					share-based reserves						
HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
At 1 January 2008	19,217	71,148	18,952	7,611	192	52,694	8,759	(92,933)	85,640	2,781	88,421
Loss for the period	—	—	—	—	—	—	—	(32,354)	(32,354)	3,081	(29,273)
Exchange difference arising from translation of financial statements of overseas subsidiaries	—	—	—	—	—	—	2,572	—	2,572	—	2,572
Total comprehensive income for the period	—	—	—	—	—	—	2,572	(32,354)	(29,782)	3,081	(26,701)
Subtotal	19,217	71,148	18,952	7,611	192	52,694	11,331	(125,287)	55,858	5,862	61,720
Equity settled share option arrangements	—	—	—	—	144	—	—	—	144	—	144
At 30 June 2008	19,217	71,148	18,952	7,611	336	52,694	11,331	(125,287)	56,002	5,862	61,864
At 1 January 2009	19,217	71,148	35,275	7,611	791	52,694	11,327	(137,083)	60,980	3,631	64,611
Loss for the period	—	—	—	—	—	—	—	(2,197)	(2,197)	2,509	312
Exchange difference arising from translation of financial statements of overseas subsidiaries	—	—	—	—	—	—	98	—	98	—	98
Total comprehensive income for the period	—	—	—	—	—	—	98	(2,197)	(2,099)	2,509	410
Subtotal	19,217	71,148	35,275	7,611	791	52,694	11,425	(139,280)	58,881	6,140	65,021
Equity settled share option arrangements	—	—	—	—	472	—	—	—	472	—	472
At 30 June 2009	19,217	71,148	35,275	7,611	1,263	52,694	11,425	(139,280)	59,353	6,140	65,493

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2009

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash inflow/(outflow) from operating activities	13,041	(15,347)
Net cash inflow/(outflow) from investing activities	3,886	(3,709)
Net cash outflow from financing activities	(2,229)	(8,916)
Net increase/(decrease) in cash and cash equivalents	14,698	(27,972)
Cash and cash equivalents at the beginning of the period	2,763	29,084
Effect of foreign exchange rate changes	—	265
Cash and cash equivalents at the end of the period	17,461	1,377
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	27,266	16,447
Bank deposits excluding bank deposits pledged	1,560	1,560
Bank overdrafts, secured	(3,116)	(6,502)
Trust receipt loans repayable within three months	(8,249)	(10,128)
	17,461	1,377

Notes to Condensed Consolidated Interim Financial Statements

1. Corporate information

Ching Hing (Holdings) Limited (the "Company") and its subsidiaries (the "Group") are principally engaged in the sale of fabrics and sale of garments and other related accessories in Hong Kong, the United States and the Peoples' Republic of China (the "PRC") during the period. The Group discontinued the provision of fabric processing services last year.

The Company is a limited liability company incorporated in Bermuda and its registered office is Cannon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda. The principal place of business of the Company is located at 10th Floor, International Industrial Building, 501-503 Castle Peak Road, Kowloon, Hong Kong.

The condensed consolidated interim financial statements of the Group for the six months ended 30 June 2009 (the "Unaudited Condensed Consolidated Interim Financial Statements") have been approved for issue by the Board of Directors on 24 September 2009.

2.1 Basis of preparation and significant accounting policies

The Unaudited Condensed Consolidated Interim Financial Statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the Unaudited Condensed Consolidated Interim Financial Statements include applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Unaudited Condensed Consolidated Interim Financial Statements should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2008 (the "2008 Annual Financial Statements") which were prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA.

These interim results are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 Impacts of new and amended Hong Kong Financial Reporting Standards

The accounting policies adopted in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the annual financial statements for the year ended 31 December 2008, except for the adoption of new and amended Hong Kong Financial Reporting Standards ("HKFRSs") and Interpretations, as noted below. Adoption of these Standards and Interpretations did not have any significant effect on the financial position or performance of the Group.

2.2 Impacts of new and amended Hong Kong Financial Reporting Standards (Continued)

HKFRS 1 and HKAS 27 Amendments	<i>Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>
HKFRS 2 Amendments	<i>Share-based Payments</i>
HKFRS 7 Amendments	<i>Financial Instruments: Disclosures</i>
HKFRS 8	<i>Operating Segments</i>
HKAS 1 (Revised)	<i>Presentation of Financial Statements</i>
HKAS 23 (Revised)	<i>Borrowing Costs</i>
HKAS 32 and HKAS 1 Amendments	<i>Puttable Financial Instruments and Obligations Arising on Liquidation</i>
HK(IFRIC) — Int 9 & HKAS 39 (Amendments)	<i>Embedded Derivates</i>
HK(IFRIC) — Int 13	<i>Customer Loyalty Programmes</i>
HK(IFRIC) — Int 15	<i>Agreements for the Construction of Real Estate</i>
HK(IFRIC) — Int 16	<i>Hedges of a Net Investment in a Foreign Operation</i>
HKFRSs (Amendments)	<i>Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009</i>
HKFRSs (Amendments)	<i>Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39</i>

The HKAS 27 Amendment requires all dividends from subsidiaries, associates or jointly-controlled entities to be recognised in the income statement in the separate financial statements. The amendment is applied prospectively. The HKFRS 1 Amendment allows a first-time adopter of HKFRSs to measure its investment in subsidiaries, associates or jointly-controlled entities using a deemed cost of either fair value or the carrying amount under the previous accounting practice in the separate financial statements. The adoption of the amendments has no impact on the consolidated financial statements. As the Group is not the first time adopter of HKFRSs, the HKFRS 1 Amendment is not applicable to the Group.

The HKFRS 2 Amendments clarify that vesting conditions are service conditions and performance conditions only. Any other conditions are non-vesting conditions. Where an award does not vest as a result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this is accounted for as a cancellation. The Group has not entered into share-based payment schemes with non-vesting conditions attached and, therefore, the amendments have no any significant implications on its accounting for share-based payments.

The HKFRS 7 Amendments require additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. In addition, reconciliation between the beginning and ending balance for Level 3 fair value measurements is now required, as well as significant transfers between Level 1 and Level 2 fair value measurements. The amendments also clarify the requirements for liquidity risk disclosures.

2.2 Impacts of new and amended Hong Kong Financial Reporting Standards *(Continued)*

HKFRS 8, which replaces HKAS 14 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The adoption of HKFRS 8 has not resulted in any changes in reportable segment.

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expenses recognised directly in equity, either in one single statement, or in two linked statements.

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard has no any financial impact on the Group.

The HKAS 32 Amendments provide a limited scope exception for puttable financial instruments and instruments that impose specified obligations arising on liquidation to be classified as equity if they fulfil a number of specified features. HKAS 1 Amendments require disclosure of certain information relating to these puttable financial instruments and obligations classified as equity. As the Group has no such financial instruments and obligations, the amendments have no financial impact on the Group.

The HK(IFRIC) — Int 9 Amendments introduce new condition under which the Group should perform subsequent reassessment on whether embedded derivative should be separated from host contract. In addition to a change in the terms of contract that significantly modified the cash flows that otherwise would have been required under the contract, the amendments require a subsequent reassessment to be performed when there is a reclassification of a financial asset out of the fair value through profit or loss category, which shall be made on the basis of the circumstances that existed on the later date of: (a) when the entity first became a party to the contract; and a change in the terms of the contract; and (b) a change in the terms of contract that significantly modified the cash flows that otherwise would have been required under the contract. The amendments to the interpretation did not have any financial impact on the Group.

HK(IFRIC) — Int 13 requires customer loyalty award credits to be accounted for as a separate component of sales transaction in which they are granted. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished. As the Group currently has no customer loyalty award scheme, the interpretation is not applicable to the Group and therefore has no financial impact on the Group.

2.2 Impacts of new and amended Hong Kong Financial Reporting Standards *(Continued)*

HK(IFRIC) — Int 15 will replace Interpretation 3 Revenue — Pre-completion Contracts for the Sale of Development Properties. It clarifies when and how an agreement for the construction of real estate should be accounted for as a construction contract in accordance with HKAS 11 Construction Contracts or an agreement for the sale of goods or services in accordance with HKAS 18 Revenue. As the Group has not involved in any construction of real estates, the interpretation has no financial impact on the Group.

HK(IFRIC) — Int 16 provides guidance on the accounting for a hedge of a net investment in a foreign operation. This includes clarification that (i) hedge accounting may be applied only to the foreign exchange differences arising between the functional currencies of the foreign operation and the parent entity; (ii) a hedging instrument may be held by any entities with a group; and (iii) on disposal of a foreign operation, the cumulative gain or loss relating to both the net investment and the hedging instrument that was determined to be an effective hedge should be reclassified to the income statement as a reclassification adjustment. As the Group has no hedge of a net investment in a foreign operation, the interpretation has no financial impact on the Group.

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 and IFRICs, that have been issued but not yet effective, in these financial statements.

HKFRSs (Amendments)	<i>Amendments HKFRS 5 as part of Improvements to HKFRSs issued in 2008¹</i>
HKFRSs (Amendments)	<i>Improvements to HKFRSs issued in 2009²</i>
HKFRS 3 (Revised)	<i>Business Combinations¹</i>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements¹</i>
HKAS 39 Amendment	<i>Eligible Hedged Items¹</i>
HKFRS 1 (Amendment)	<i>Additional Exemptions for First-time Adopters³</i>
HKFRS 2 (Amendment)	<i>Group Cash-settled Share-based Payment Transactions³</i>
HK(IFRIC) — Int 17	<i>Distribution of Non-cash Assets to Owners¹</i>
HK(IFRIC) — Int 18	<i>Transfer of Assets from Customers⁴</i>

¹ Effective for annual periods beginning on or after 1 July 2009

² Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate

³ Effective for annual periods beginning on or after 1 January 2010

⁴ Effective for transfers on or after 1 July 2009

The adoption of HKFRS 3 (Revised 2008) may affect the Group's accounting for business combinations for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

Ching Hing (Holdings) Limited

3. Revenue, other income and gains

Revenue, which is also the Group's turnover, represents the sales of fabrics, income from provision of fabric processing services and sale of garments and other related accessories.

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

	Six months ended 30 June	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited) Restated
Revenue		
Sales of fabrics	27,255	29,242
Sales of garments and accessories	118,563	127,975
	<hr/>	<hr/>
Attributable to continuing operations reported in the consolidated statement of income	145,818	157,217
Income from fabric processing services provided attributable to a discontinued operation (Note 7)	—	7,624
	<hr/>	<hr/>
	145,818	164,841
Other income and gains		
Continuing operations		
Impairment losses reversed	1,401	—
Interest income	233	347
Gain on disposal of property, plant and equipment	—	81
Others	93	178
	<hr/>	<hr/>
	1,727	606
Discontinued operation		
Interest income	—	199
Gain on disposal of property, plant and equipment	—	45
Others	—	102
	<hr/>	<hr/>
	—	346
	<hr/>	<hr/>
	1,727	952
	<hr/>	<hr/>
Total revenue, income and gains	147,545	165,793
	<hr/> <hr/>	<hr/> <hr/>

Ching Hing (Holdings) Limited

4. 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 segments:

Continuing operations

Sales of fabrics segment — sales of fabrics

Sales of garments and accessories segment — sales of garments and other related accessories

Discontinued operation in previous period

Fabric processing segment — provision of fabric processing services

	Six months ended 30 June 2009				
	Continuing operations			Discontinued operation	
	Sales of fabrics	Sales of garments and accessories	Sub-total	Fabric processing	Total
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Revenue	27,255	118,563	145,818	—	145,818
Segment results	(3,460)	7,134	3,674	—	3,674
Unallocated revenue and costs			(2,219)	—	(2,219)
Profit before tax			1,455	—	1,455
Tax			(1,143)	—	(1,143)
Profit for the period			312	—	312
Segment assets	26,402	40,601	67,003	—	67,003
Unallocated assets					73,755
Total assets					140,758
Segment liabilities	41,083	24,586	65,669	—	65,669
Unallocated liabilities					9,596
Total liabilities					75,265
Capital expenditure	7	6	13	—	13
Depreciation	425	199	624	—	624

Ching Hing (Holdings) Limited

4. Segment information (Continued)

	Six months ended 30 June 2008				
	Continuing operations			Discontinued operation	Total
	Sales of fabrics	Sales of garments and accessories	Sub-total	Fabric processing	
	HK\$'000 (Unaudited) Restated	HK\$'000 (Unaudited) Restated	HK\$'000 (Unaudited) Restated	HK\$'000 (Unaudited) Restated	HK\$'000 (Unaudited) Restated
Revenue	29,242	127,975	157,217	7,624	164,841
Segment results	(19,518)	12,817	(6,701)	(15,553)	(22,254)
Unallocated revenue and costs			(4,885)	—	(4,885)
Loss before tax			(11,586)	(15,553)	(27,139)
Tax			(2,134)	—	(2,134)
Loss for the period			(13,720)	(15,553)	(29,273)
Segment assets	32,314	54,828	87,142	71,073	158,215
Unallocated assets					9,845
Total assets					168,060
Segment liabilities	24,877	36,497	61,374	35,106	96,480
Unallocated liabilities					9,716
Total liabilities					106,196
Capital expenditure	95	21	116	205	321
Depreciation and amortisation	620	89	709	3,527	4,236

Ching Hing (Holdings) Limited

4. Segment information (Continued)

The relevant geographical information of the Group is as follows:

	For the period ended 30 June 2009				
	Hong Kong	United States	The PRC	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue					
Sales to external customers	22,535	114,783	1,770	6,730	145,818
Revenue from discontinued operation	—	—	—	—	—
Revenue from continuing operations	22,535	114,783	1,770	6,730	145,818
Non-current assets	3,422	—	57,840	—	61,262

	For the period ended 30 June 2008				
	Hong Kong	United States	The PRC	Others	Total
	HK\$'000 Restated	HK\$'000 Restated	HK\$'000 Restated	HK\$'000 Restated	HK\$'000 Restated
Revenue					
Sales to external customers	30,540	119,887	5,715	8,699	164,841
Revenue from discontinued operation	(4,379)	—	(3,245)	—	(7,624)
Revenue from continuing operations	26,161	119,887	2,470	8,699	157,217
Non-current assets	3,853	—	62,933	—	66,786

Ching Hing (Holdings) Limited

5. Operating profit/(loss)

	Six months ended 30 June	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited) Restated
Operating profit/(loss) is stated after crediting and charging the following:		
Crediting		
Interest income	233	546
Impairment losses reversed	1,401	—
Charging		
Depreciation on property, plant and equipment	629	4,193
Operating lease rentals in respect of land and buildings	420	703
Amortisation of prepaid lease payments	—	52
Impairment losses recognised of trade and bills receivables and other receivables	525	2,434
Impairment of deposit paid	—	2,000
Compensation to employees on termination of employment	—	2,984
Impairment of inventories	—	4,059
Staff costs (excluding compensation to employees on termination of employment)	9,045	11,873

Ching Hing (Holdings) Limited

6. Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits arising in Hong Kong for the period less relief for available tax losses brought forward.

Tax on overseas profits is calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of tax charge to the condensed consolidated statement of income represents:

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
		Restated
Current tax — Hong Kong		
Provision for the period	1,132	2,477
Underprovision in respect of prior periods	—	156
	1,132	2,633
Current tax — Overseas		
Provision for the period	11	—
Overprovision in respect of prior periods	—	(499)
	11	(499)
	1,143	2,134

No deferred tax asset has been recognised in respect of tax losses due to the uncertainty of future profits.

7. Discontinued operation and assets held for disposal

On 4 August 2008, the Company announced the decision of its board of directors to terminate the operation of Zhongshan Ching Hing Weaving Factory Limited ("Zhongshan Ching Hing"). Zhongshan Ching Hing engaged in the sale of fabric and fabric processing where the fabric processing was a separate business segment and was part of the Mainland China and Hong Kong operations. The Group ceased its fabric processing business and accordingly, the fabric processing operation had been reclassified as a discontinued operation with the comparative income statement information being reclassified as appropriate. Since Zhongshan Ching Hing was expected not to resume the fabric processing operation in future, all plant and machineries of Zhongshan Ching Hing would be sold out when interested buyers, if any, had been identified. As at 30 June 2009, the Group was still in the process of seeking for interested buyer(s). Accordingly, the said plant and machineries had been classified as assets held for disposal as at 30 June 2009.

Ching Hing (Holdings) Limited

7. Discontinued operation and assets held for disposal (Continued)

The results of the fabric processing operation for the period presented below:

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
		Restated
Revenue — income from fabric processing service provided	—	7,624
Cost of sales	—	(16,676)
Other income	—	346
Distribution costs	—	(654)
Administrative expenses	—	(1,877)
Other operating expenses	—	(3,777)
Finance costs	—	(539)
	<hr/>	<hr/>
Loss before tax from the discontinued operation	—	(15,553)
Tax	—	—
	<hr/>	<hr/>
Loss for the period from the discontinued operation	—	(15,553)
	<hr/> <hr/>	<hr/> <hr/>
Loss per share:		
Basic, from the discontinued operation	—	(4.05 cents)
Diluted, from the discontinued operation	—	N/A
	<hr/> <hr/>	<hr/> <hr/>

The calculations of basic and diluted loss per share from the discontinued operation are based on:

	Six months ended 30 June	
	2009	2008
		Restated
Loss attributable to ordinary equity holders of the Company from the discontinued operation	—	(HK\$15,553,000)
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	—	384,349,468
Weighted average number of ordinary shares used in the diluted earnings per share calculation	—	N/A
	<hr/> <hr/>	<hr/> <hr/>

Ching Hing (Holdings) Limited

7. Discontinued operation and assets held for disposal (Continued)

The major classes of assets of Zhongshan Ching Hing classified as assets held for disposal are as follows:

	At 30 June 2009	At 31 December 2008
	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Plant and equipment	15,451	15,444

8. Dividend

The board of directors does not recommend the payment of any dividend for the six months ended 30 June 2009 (six months ended 30 June 2008: Nil).

9. Loss per share attributable to ordinary equity holders of the Company

The calculation of basic loss per share amounts is based on the loss for the period attributable to equity holders of the Company, and the weighted average number of ordinary shares in issue during the period.

Diluted loss per share amounts for the period ended 30 June 2009 and 2008 have not been disclosed as the share options outstanding during these period had an anti-dilutive effect on the basic loss per share for these period.

Ching Hing (Holdings) Limited

9. Loss per share attributable to equity holders of the Company (Continued)

The calculations of basic loss per share are based on:

	Six months ended 30 June	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited) Restated
Loss		
Loss attributable to ordinary equity holders of the Company, used in the basic loss per share calculation:		
From continuing operations	(2,197)	(16,801)
From discontinued operation	—	(15,553)
	(2,197)	(32,354)
Loss attributable to ordinary equity holders of the Company		
	(2,197)	(32,354)
Attributable to:		
Continuing operations	(0.57 cents)	(4.37 cents)
Discontinued operation	—	(4.05 cents)
	(0.57 cents)	(8.42 cents)
Number of shares		
	At	At
	30 June	30 June
	2009	2008
	(Unaudited)	(Unaudited) Restated
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	384,349,468	384,349,468

Ching Hing (Holdings) Limited

10. Trade and bills receivables

Details of the aging analysis of trade and bills receivables, based on the invoice date and net of provision, were as follows:

	At 30 June 2009	At 31 December 2008
	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Current	14,349	20,341
31-60 days	2,019	8,042
61-90 days	1,122	1,427
Over 90 days	640	3,000
	18,130	32,810

At the balance sheet date, the fair values of trade and bills receivables approximate to the carrying amounts.

The movements in provision for impairment of trade and bills receivables are as follows:

	At 30 June 2009	At 31 December 2008
	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
At 1 January	7,177	5,959
Impairment losses recognised	275	1,218
Impairment losses reversed	(1,401)	—
At 30 June/31 December	6,051	7,177

Ching Hing (Holdings) Limited

10. Trade and bills receivables (Continued)

The aged analysis of the trade and bills receivables that are not considered to be impaired is as follows:

	At 30 June 2009	At 31 December 2008
	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Neither past due nor impaired	16,167	18,265
Less than 1 month past due	1,346	7,394
1 to 3 months past due	617	3,862
Over 3 months past due	—	3,289
	18,130	32,810

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

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, and the directors have performed an assessment, the directors of the Company are of the opinion that no provision for impairment 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.

11. Trade and bills payables

Details of the aging analysis of trade and bills payables, based on the invoice date, were as follows:

	At 30 June 2009	At 31 December 2008
	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Current	12,893	9,745
31 — 60 days	2,528	5,650
61 — 90 days	821	1,437
Over 90 days	7,678	9,093
	23,920	25,925

Ching Hing (Holdings) Limited

12. Finance lease payables

	Minimum lease payments		Present value of minimum lease payments	
	At 30 June 2009	At 31 December 2008	At 30 June 2009	At 31 December 2008
	HK\$'000 (Unaudited)	HK\$'000 (Audited)	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Amounts payable under finance lease:				
Within one year	343	363	289	308
In the second year	334	332	280	279
In the third to fifth years inclusive	297	461	248	384
Total minimum finance lease payments	974	1,156	817	971
Less: Future finance charges	(157)	(185)		
Present value of lease obligations	817	971		
Less: Amount due for settlement within 12 months (shown under current liabilities)	(289)	(308)		
Amount due for settlement after 12 months	528	663		

It is the Group's policy to lease certain of its motor vehicles under finance lease. The average lease term is 2 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

Ching Hing (Holdings) Limited

13. Issued capital

	Authorised Ordinary shares of HK\$0.05 each	
	<i>Number of shares</i>	<i>HK\$'000</i>
At 30 June 2009 and 31 December 2008	5,000,000,000	250,000

	Issued and fully paid Ordinary shares of HK\$0.05 each	
	<i>Number of shares</i>	<i>HK\$'000</i>
At 30 June 2009 and 31 December 2008	384,349,468	19,217

14. Share-based payment transactions

Equity-settled share option scheme of the Company

The Company has a share option scheme ("2002 Share Option Scheme") which was adopted on 27 May 2002. For the better development of the Group, it is important that the Group is able to recruit, retain and motivate high caliber and good quality employees and officers to serve the Group on a long term basis as well as to maintain good relationship with its suppliers, customers and professional advisers. The Group believes that having a share option scheme in place is one of the most attractive means to attract and retain those persons to contribute to the continuous development of the Group.

14. Share-based payment transactions *(Continued)*

Equity-settled share option scheme of the Company (Continued)

The maximum number of shares which may be issued upon exercise of all options to be granted under the 2002 Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares in issue as at the date of adoption of the 2002 Share Option Scheme but the Company may refresh the scheme mandate limit, by the approval of its shareholders in Annual General Meeting and the issue of a circular in accordance with the requirements of the Listing Rules, such that the total number of shares in respect of which options may be granted by the directors under the 2002 Share Option Scheme and any other schemes of the Company shall not exceed 10% of the issued share capital of the Company at the date of approval to refresh such limit. Options previously granted under the 2002 Share Option Scheme and any other schemes of the Company (including those outstanding, cancelled, lapsed or exercised) will not be counted for the purpose of calculation limited as "refreshed". Notwithstanding the aforesaid in this paragraph, the maximum number of shares in respect of which options may be granted and yet to be exercised under the 2002 Share Option Scheme and any other share option schemes of the Company shall not exceed 30% of the total number of shares in issue from time to time. At 30 June 2009, the total number of shares available for issue under the 2002 Share Option Scheme was 30,750,946 (31 December 2008: 30,750,946) shares, which represented approximately 8% of the issued share capital of the Company at that day. The maximum number of shares issued and to be issued upon exercise of the options granted to each participant under the 2002 Share Option Scheme and any other share option schemes of the Company (including exercised, cancelled and outstanding options) in any 12-month period up to the date of grant of the options, would not exceed 1% of the aggregate number of shares in issue unless the grant of such options is specifically approved by the shareholders of the Company in general meeting and a circular is issued in accordance with the requirements of the Listing Rules.

Ching Hing (Holdings) Limited

14. Share-based payment transactions (Continued)

Equity-settled share option scheme of the Company (Continued)

At 30 June 2009, a total of 22,084,000 (31 December 2008: 22,084,000) share options were still outstanding under the 2002 Share Option Scheme as follows:

	Grant date	At 1 January 2009	Granted during the period	Lapsed during the period	At 30 June 2009	Exercise period	Exercise price per share	Share price on the grant date
							HK\$	HK\$
Executive Directors								
Mr. Yiu Ching On	26.9.2006	3,200,000	—	—	3,200,000	30.11.2007- 25.9.2016	0.07	0.07
	11.6.2008	3,842,000	—	—	3,842,000	11.6.2008- 10.6.2018	0.50	0.50
Mr. Yiu Kwok Ming, Tommy	26.9.2006	3,200,000	—	—	3,200,000	30.11.2007- 25.9.2016	0.07	0.07
	11.6.2008	3,842,000	—	—	3,842,000	11.6.2008- 10.6.2018	0.50	0.50
Mr. Leung Kwok Ip	26.9.2006	3,200,000	—	—	3,200,000	30.11.2007- 25.9.2016	0.07	0.07
Mr. Wong Wai Man	26.9.2006	3,200,000	—	—	3,200,000	30.11.2007- 25.9.2016	0.07	0.07
Sub-total		20,484,000	—	—	20,484,000			
Other eligible employees	26.9.2006	1,600,000	—	—	1,600,000	30.11.2007- 25.9.2016	0.07	0.07
		22,084,000	—	—	22,084,000			

Ching Hing (Holdings) Limited

14. Share-based payment transactions (Continued)

Equity-settled share option scheme of the Company (Continued)

Employee share option expenses related to the above grants of share option are charged to the consolidated income statement over the vesting period. Such expenses were determined by the Company based on the Black-Scholes valuation model with the following assumptions:

Date of grant	11 June 2008	26 September 2006
Value per option	HK\$0.42	HK\$0.04
Price per share at date of grant	HK\$0.50	HK\$0.07
Exercise price per share	HK\$0.50	HK\$0.07
Standard deviation	1.1971	0.7338
Annual risk-free interest rate	3.41%	3.69%
Life of options	5 years	10 years
Vesting period	4 years	4 years

15. Banking facilities

At 30 June 2009, the Group's credit facilities amounting to HK\$129,260,000 (31 December 2008: HK\$136,060,000) granted by banks and a credit company were secured by the following:

- guarantees given by the Company and the minority shareholders of subsidiaries for HK\$111,897,000 (31 December 2008: HK\$116,208,000) and HK\$84,762,000 (31 December 2008: HK\$85,792,000) respectively;
- charges over bank deposits of the Group of HK\$15,861,000 (31 December 2008: HK\$19,527,000); and
- personal guarantees of HK\$12,000,000 (31 December 2008: HK\$12,000,000) given by a director of the Company.

16. Commitments

Operating lease commitments

At 30 June 2009, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	At 30 June 2009	At 31 December 2008
	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Within one year	280	723
In the second to fifth years inclusive	—	—
	280	723

Ching Hing (Holdings) Limited

17. Related party transactions and balances

During the period, the Group entered into the following material transactions with its related parties in the normal course of business:

		Six months ended 30 June	
		2009	2008
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
(a)	Transactions with related parties:		
	Rental paid to a related company (<i>note (i)</i>)	420	420
	Interest paid to a related company (<i>note (iv)</i>)	272	—
	Interest paid to a shareholder (<i>note (ii)</i>)	142	183
(b)	Balances with related parties:		
	Amount due to a director (<i>note (iii)</i>)	1,200	1,200
	Amount due to a shareholder (<i>note (ii)</i>)	6,013	6,013
	Amount due to a related company (<i>note (iv)</i>)	8,849	9,211
(c)	Members of key management during the period comprised 4 (2008: 4) executive directors whose remuneration is amounting to HK\$1,670,000 (2008: HK\$1,670,000).		

Notes:

- (i) Mr. Yiu Ching On, an executive director of the Company, beneficially owns the related company. This transaction was conducted in accordance with the terms agreed between the Group and the related company.
- (ii) The shareholder, Ms. Wong Kai Chun, is the spouse of Mr. Yiu Ching On. The amount due to the shareholder is unsecured, interest bearing at 4.75% p.a. (2008: 4.5% p.a. to 6.25% p.a.).
- (iii) Mr. Yiu Kwok Ming, Tommy, is an executive director of the Company. The amount due to the director is unsecured, interest free and no fixed terms of repayment.
- (iv) Mr. Yiu Ching On, an executive director of the Company, beneficially owns another related company. The amount due to the related company is unsecured, interest bearing at 1% over Hong Kong prime rate p.a. and is repayable by 120 monthly instalments commencing on 18 August 2008.

18. Comparative amounts

Certain comparative amounts have been reclassified and restated to conform with the current period presentation. In addition, the comparative statement of income has been re-presented as if the operation discontinued during the period had been discontinued at the beginning of the comparative year (note 7).

Financial Results

During the first half of 2009, the adverse impacts of global credit tsunami continued to impair the world economy. In response to the unfavorable market conditions, the Group minimised its risk exposure by closing down the dyeing factory in Zhong Shan, the People's Republic of China (the "PRC") during the second half of 2008 and reengineering its operations in order to trim down the operating expenses and protect the Group against market turbulence.

During the period under review, the Group strived to reduce the loss attributable to the equity holders of the Company by HK\$30.2 million to HK\$2.2 million, as compared with a net loss of approximately HK\$32.3 million in the same period last year. The loss per share was significantly decreased by 93.2 % to 0.57 cents.

During the period under review, the Group's revenue decreased by HK\$11.4 million to HK\$145.8 million. The decrease was mainly due to the drop in revenue contributed from the businesses in the United States, the origin of the global financial crisis. However, as a result of the recent restructuring of business, the gross profit margin of the Group increased to 12.1% during the economic hard-time, as compared with approximately 7.7% of the corresponding period in 2008.

Distribution costs included costs related to sales and marketing functions of the Group and were normally varied proportionally with the revenue. Administrative expenses included costs related to the supporting functions of the Group. A drop in Group's revenue by 7.2% but an obvious drop in distribution costs and administrative expenses by 16.5% and 16.1% respectively was attributed to the Group's effective cost control measures.

Other operating expenses decreased by 68.4% to HK\$1.5 million for the period under review because the expenses for the corresponding period in 2008 was mainly composed of a write-off of deposit paid on an unviable investment project of HK\$2 million. In view of the global economic downturn, the Group subsequently terminated the project in the second half of 2008.

Additionally, the Group concentrated the efforts on reinforcing its financial position to overcome the market volatility. To minimise the credit risk and liquidity risk, the Group shortened the receivable turnover period and requested for post-dated cheque payments and/or letter of credit settlement before the delivery of goods. Therefore, during the first half of 2009, the Group generated a net increase in cash and cash equivalents of HK\$14.7 million and at 30 June 2009, the Group maintained a cash and cash equivalents of about HK\$17.5 million.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2009 (2008: Nil).

Business Review and Prospects

The Group was engaged in the sale of fabrics and the sale of garment and accessories during the period under review.

Sale of Fabrics

Revenue generated from sale of fabrics decreased by HK\$1.9 million to approximately HK\$27.2 million. The decrease was mainly due to the drop in revenue contributed from fabric trading in the PRC. Since the closure of Group's dyeing factory in the PRC in the second half of 2008, the Group conserved its resources and downsized the domestic sales teams to avoid cut throat price competitions under the tough trading environment. Furthermore, during the period under review, the Group only accepted sale orders with relatively high margins to minimise the risk of order cancellation and quality rejection.

However, on the other hand, the tough environment also provided opportunities to the Group. The decrease in export of textile products in the PRC directly impact upon the business of all PRC fabric supplying factories and therefore increased the bargaining power of the Group. Also, the flexibility on sourcing different fabric suppliers worldwide after the closure of the Group's factory strengthened the Group's capability to source textile products at the best price. After years of effort, the Group already established a close network of production bases in northern region of the PRC which could offer fabrics with industrially recognised quality and low prices. As the sum of these positive impacts, the Groups segment loss on sale of fabrics decreased significantly by 82.3% to HK\$3.5 million during the period under review.

In view of an promising segment result on sale of fabrics, the Group would continue to form strategic alliance with sales persons with high marketing caliber to enhance our market positions and evaluate the performance of these alliance in a cautious manner.

Business Review and Prospects *(Continued)*

Sale of Garments and Accessories

During the first half of 2009, the Group's primary market of garments trading was the United States and the revenue generated from the United States representing approximately 78.7% of the total revenue of the Group. Following the outbreak of sub-prime mortgage crises and the bankruptcy of Lehman Brothers, the United States experienced an once-in-a-century recession and the consumer sentiment index remained weak. Under the unprecedented market conditions, the Group's customers generally adopted a "wait and see attitude", held inventories at a lower level and placed garments order just before the inventories were consumed. Therefore, revenue generated from sale of garments and other related accessories showed an inevitably decrease by 7.3% to HK\$118.6 million as compared with the same period of last year and the segment result decreased to approximately HK\$7.1 million.

Operationally, the Group acquired garments from suppliers situated in South-Asian countries, such as Bangladesh. The countries over there could provide abundant labour force with low cost of production. The Group then exported garments to certain major retailers, importers and department stores in the United States. The exchange risk was considered to be minimal to the Group because all receivable and payable were settled in United States dollars. Although the segment still contributed an encouraging result to the Group during the period under review, to keep a steady pace of development of this segment in long-term, the Group started to explore the market of garments trading in other areas, such as Europe, and diversified the customer bases in the sale of garments and accessories to minimize the distress caused by the financial crisis.

Liquidity and Financial Resources

At 30 June 2009, the Group had total assets of HK\$140.7 million which were financed by total liabilities of HK\$75.2 million and equity of HK\$65.5 million. Accordingly, the Group's ratio of debts to total assets and debts to equity were slightly decreased to 53.5% (31 December 2008: 56.8%) and 114.9% (31 December 2008: 131%), respectively.

The Group mainly financed its operation by internal cash resources, bank financing, a shareholder's loan and a loan from a related company. At 30 June 2009, the Group had cash on hand, bank deposits and bank balances for an aggregate amount of about HK\$41.6 million and unutilised banking facilities for a total of about HK\$107.8 million, which we consider sufficient for normal daily operation and expansion.

Capital Structure

There has been no material change in the capital structure of the Group since 31 December 2008.

Pledge of Assets

At 30 June 2009, the Group's bank deposits of about HK\$15.9 million was pledged with banks for banking facilities of the Group.

Directors' Interests in Securities

At 30 June 2009, the directors or their associates have the following interests or short positions in shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under 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 Companies contained in the Listing Rules ("Model Code"):

Shares — long position

The Company:

Name of directors	Number of shares held				Total
	Personal interests	Family interests	Corporate interests	Other interests	
Mr. Yiu Ching On	4,752,000	32,618,000 <i>(note a)</i>	300,000 <i>(note b)</i>	117,618,055 <i>(note d and e)</i>	155,288,055
Mr. Yiu Kwok Ming, Tommy	2,100,000	2,610,637	49,857,142 <i>(note c)</i>	117,618,055 <i>(note d)</i>	172,185,834
Mr. Wong Wai Man	270,000	—	—	—	270,000

Directors' Interests in Securities *(Continued)*

Shares — long position *(Continued)*

The Company: *(Continued)*

Notes:

- (a) Such shares are beneficially owned by his spouse, Ms. Wong Kai Chun.
- (b) Such shares are beneficially owned by Gaport Limited, the entire issued share capital of which is owned, as to 50% by Mr. Yiu Ching On, 25% by Ms. Wong Kai Chun and 25% by Mr. Yiu Kwok Yung, the son of Mr. Yiu Ching On and the younger brother of Mr. Yiu Kwok Ming, Tommy.
- (c) Such shares are beneficially owned, as to 19,857,142 shares by Cotton Row Limited and as to 30,000,000 shares by Happy Joy Limited. The entire issued share capital of each of Cotton Row Limited and Happy Joy Limited is beneficially owned by Mr. Yiu Kwok Ming, Tommy.
- (d) Jarak Assets Limited holds the 117,618,055 shares. The entire issued share capital of Jarak Assets Limited is owned, as to 5.02% by Happy Joy Limited and as to 94.98% by Determine Win Investments PTC Limited in its capacity as the trustee of The Yiu's Family Unit Trust, 99.99% units in issue of which is owned by HSBC International Trustee Limited as the trustee of The Yiu's Family Trust, the beneficiaries (after the death of the last to die of Mr. Yiu Ching On and Ms. Wong Kai Chun) of which include, among others, Mr. Yiu Kwok Ming, Tommy, Mr. Yiu Kwok Yung and the issues of Mr. Yiu Kwok Ming, Tommy and Mr. Yiu Kwok Yung.
- (e) Mr. Yiu Ching On is the founder of The Yiu's Family Trust, a discretionary trust.

Associated corporation:

Name of associated corporation	Name of director	Personal interests	Family interests	Corporate interests
Ching Hing Weaving Dyeing & Printing Factory Limited	Mr. Yiu Ching On	14,196,591	376,427 <i>(note b)</i>	28,023,134 <i>(note c)</i>
	Mr. Yiu Kwok Ming, Tommy	—	1,000,000 <i>(note b)</i>	—

Notes:

- (a) The above represent interests in non-voting deferred shares.
- (b) Such non-voting deferred shares are beneficially owned by the spouse of the respective directors.
- (c) Filand Limited and Clear Picture Holdings Limited, companies wholly-owned by Mr. Yiu Ching On, the Chairman of the Company, beneficially owned 10,633,875 and 17,389,259 non-voting deferred shares respectively.

Directors' Interests in Securities *(Continued)*

Interest in underlying shares

The directors of the Company have been granted options under the Company's share option scheme, details of which are set out in note 14 to condensed consolidated interim financial statements.

Save as disclosed above and note 14 to condensed consolidated interim financial statements, at no time during the period had the directors (including their spouse and children under 18 years of age) have any interest in, or been granted, or exercised, any rights to subscribe for shares or debentures of the Company and its associated corporations.

At no time during the period was the Company or its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholders

At 30 June 2009, the following companies have long positions in the shares and underlying shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Number of shares held	Percentage of issued share capital at 30 June 2009
Ms. Wong Kai Chun <i>(note a and b)</i>	155,288,055	40.4%
Jarak Assets Limited <i>(note b)</i>	117,618,055	30.6%
Determine Win Investments PTC Limited <i>(note b)</i>	117,618,055	30.6%
HSBC International Trustee Limited <i>(note c)</i>	117,618,055	30.6%
HSBC Investment Bank Holdings B.V. <i>(note c)</i>	117,618,055	30.6%
HSBC Holdings B.V. <i>(note c)</i>	117,618,055	30.6%
HSBC Finance (Netherlands) <i>(note c)</i>	117,618,055	30.6%
HSBC Holdings plc <i>(note c)</i>	117,618,055	30.6%
Happy Joy Limited <i>(note d)</i>	30,000,000	7.8%
Cotton Row Limited <i>(note d)</i>	19,857,142	5.2%

Substantial Shareholders *(Continued)*

Notes:

- (a) Ms. Wong Kai Chun is the spouse of Mr. Yiu Ching On, the Chairman of the Company. 32,618,000 shares are beneficially owned by her. 4,752,000 shares are beneficially owned by her spouse and 300,000 shares are beneficially owned by Gaport Limited, the entire issued share capital of which is owned as to 50% by her spouse, 25% by her and 25% by Mr. Yiu Kwok Yung, the son of hers.
- (b) Jarak Assets Limited holds the 117,618,055 shares. The entire issued share capital of Jarak Assets Limited is owned, as to 5.02% by Happy Joy Limited and as to 94.98% by Determine Win Investments Limited in its capacity as the trustee of The Yiu's Family Unit Trust, 99.99% units in issue of which is owned by HSBC International Trustee Limited as the trustee of The Yiu's Family Trust, the beneficiaries (after the death of the last to die of Mr. Yiu Ching On and Ms. Wong Kai Chun) of which include, among others, Mr. Yiu Kwok Ming, Tommy, Mr. Yiu Kwok Yung, (the younger brother of Mr. Yiu Kwok Ming, Tommy) and the issues of Mr. Yiu Kwok Ming, Tommy and Mr. Yiu Kwok Yung.
- (c) HSBC International Trustee Limited holds 99.99% units in issue in The Yiu's Family Unit Trust in its capacity as the trustee of The Yiu's Family Trust.
- HSBC International Trustee Limited is a wholly-owned subsidiary within the HSBC Group. Their interests in the shares of the Company duplicate with each other.
- (d) The entire issued share capital of Happy Joy Limited and Cotton Row Limited are wholly-owned by Mr. Yiu Kwok Ming, Tommy, a director of the Company.

Interest in underlying shares

Name	Number of underlying shares interested	Percentage of issued share capital at 30 June 2009
Ms. Wong Kai Chun <i>(note a)</i>	7,042,000	1.8%

Note:

- (a) Such share options are beneficially owned by Mr. Yiu Ching On, spouse of Ms. Wong Kai Chun.

Compliance With the Code on Corporate Governance Practices

None of the directors of the Company is aware of information that would reasonably indicate that the Company is not, or was not throughout the accounting period covered by the interim report, in compliance with the Code Provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors, the Company confirmed that all directors have complied with the required standard set out in Model Code.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2009.

Audit Committee

The Audit Committee comprises three independent non-executive directors, namely Mr. Chan Kin Wah, Billy, Mr. Cheung Cho Yiu and Mr. Liang Jin An. The Audit Committee had reviewed the condensed Unaudited Consolidated Interim Financial Statements for the six months ended 30 June 2009. The Committee has adopted terms of reference which are in line with the Code on Corporate Governance Practices.

Remuneration Committee

The Remuneration Committee comprises three independent non-executive directors, Mr. Liang Jin An, Mr. Cheung Cho Yiu, Mr. Chan Kin Wah, Billy and one executive director, Mr. Yiu Kwok Ming, Tommy. Mr. Liang Jin An is the Chairman of the Committee. The Committee has adopted terms of reference which are in line with the Code on Corporate Governance Practices.

Members of the Board

Executive Directors

Mr. Yiu Ching On (*Chairman*)

Mr. Yiu Kwok Ming, Tommy (*Managing Director*)

Mr. Leung Kwon Ip

Mr. Wong Wai Man

Independent Non-executive Directors

Mr. Cheung Cho Yiu

Mr. Chan Kin Wah, Billy

Mr. Liang Jin An