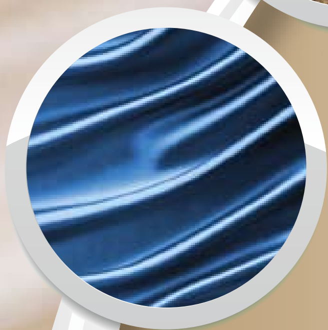
正興集團

CHING HING GROUP

CHING HING (Holdings) Limited

Stock Code : 692



Annual Report 2009

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CORPORATE INFORMATION

DIRECTORS

Executive directors:

Mr. Yiu Ching On *(Chairman)*
Mr. Yiu Kwok Ming, Tommy
(Vice-Chairman and Managing Director)
Mr. Leung Kwok Ip
Mr. Wong Wai Man

Independent non-executive directors:

Mr. Cheung Cho Yiu
Mr. Chan Kin Wah, Billy
Mr. Liang Jin An

COMPANY SECRETARY

Mr. Wong Ho Yin

SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
17M Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

AUDITORS

Ascenda Cachet CPA Limited
(formerly Cachet Certified Public Accountants Limited)
Certified Public Accountants
13F Neich Tower
128 Gloucester Road
Wanchai
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of China Limited, Nantou Branch
Edward Wong Credit Limited
Shanghai Commercial Bank Limited
Bank of Communications Co., Limited

LEGAL ADVISORS

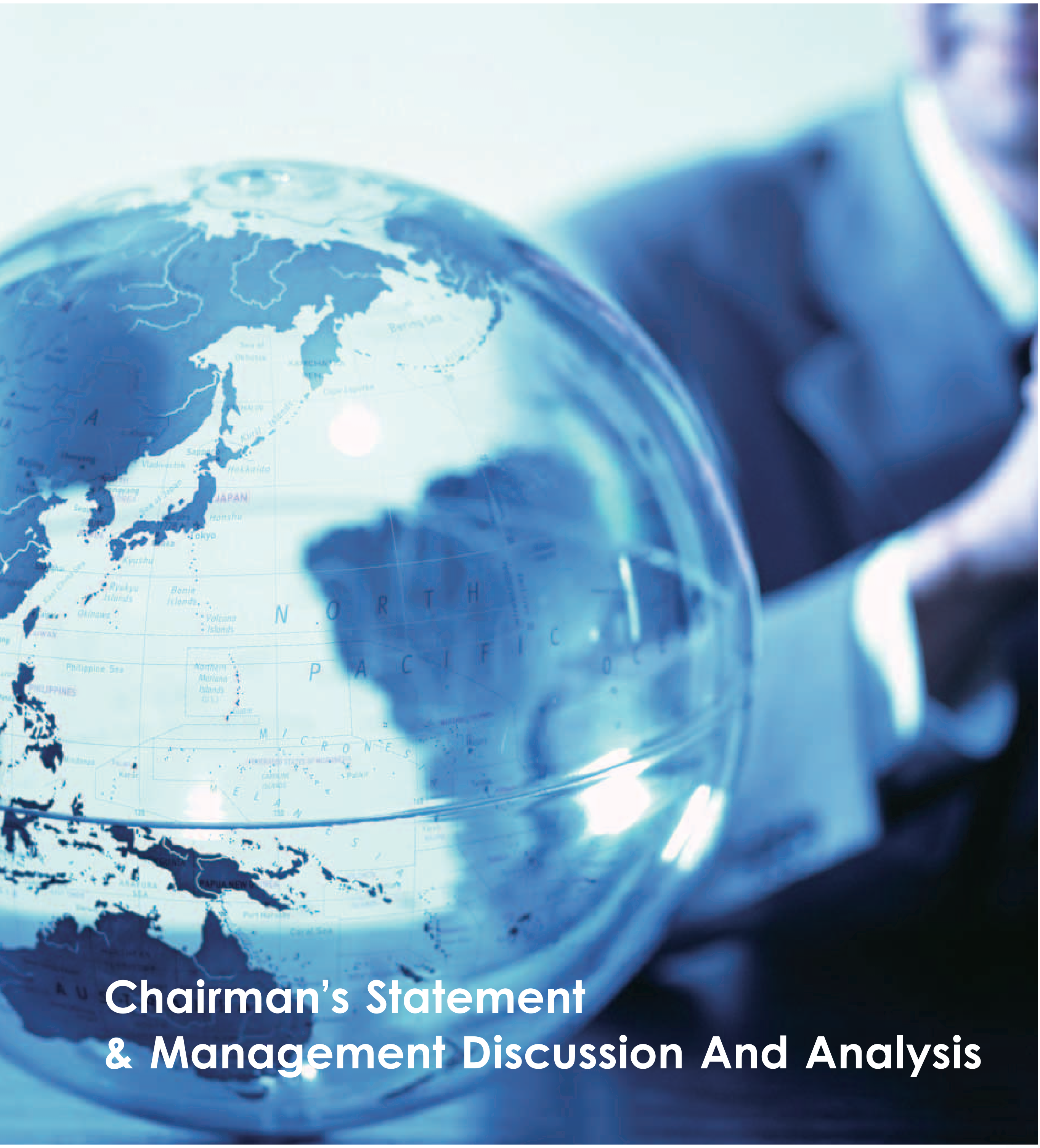
Angela Ho & Associates
W.K. To & Co.

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

10th Floor
International Industrial Building
501-503 Castle Peak Road
Kowloon
Hong Kong



Chairman's Statement & Management Discussion And Analysis

To Shareholders,

On behalf of the board of directors of the Company, I hereby present the annual report for the year ended 31 December 2009.

FINAL DIVIDEND

The directors do not recommend the payment of a final dividend for the year ended 31 December 2009.

FINANCIAL RESULTS

In 2009, the adverse impacts of global financial crisis continued to spread and impair the world economy. In response to the unfavourable market conditions, the Group effectively overcame operating pressures by closing the dyeing factory in the PRC during the second half of 2008 and protected the Group against market turbulence.

During the year under review, the Group strived to reduce the loss attributable to the owners of the Company by HK$31.1 million to HK$13.1 million, as compared with a net loss of approximately HK$44.2 million last year. The loss per share was significant decreased by 70.3% to 3.41 cents.

Affected by the global financial crisis, revenue from continuing operations decreased by approximately HK$66.7 million over last year to approximately HK$220.3 million. The decrease was due to the drop in revenue contributed from the businesses in the PRC, after the closing down of dyeing factory, and from the United States, the origin of the global financial crisis. However, as a result of the restructuring of business, the gross profit margin from continuing operations increased to 11.8% during such economic hard-time, as compared with approximately 7.7% of last year. The gross profit for the year also increased by 17.4% to approximately HK$26.1 million.

Distribution costs included costs related to sales and marketing functions of the Group and were normally varied proportionally with the revenue. A drop in Group's revenue from continuing operations by 23.2% but an obviously drop in distribution costs from continuing operations by 28.1% was attributed to the Group's effective cost control measures. Administrative expenses generally included costs related to the supporting functions of the Group. During the year under review, the administrative expenses from continuing operations also decreased by 11.8% to approximately HK$15.9 million.

Other operating expenses from continuing operations significantly decreased by 36.7% to HK$4.9 million for the year because the expenses for 2008 was mainly composed of a write-off of deposit paid on a terminated investment project of HK$2.7 million. On the other hand, the Group foresaw that the default on payment of trade receivable would likely increase during the economic recession. To minimise the exposure to credit risk and liquidity risk, the Group generally requested the customers to settle payment before delivery of goods and accepted orders from customers with good repayment record. Therefore, during the year under view, the debtors turnover day was shorten to 39 days and impairment of trade and bills receivable from continuing operations was reduced by 75.4% to HK$0.47 million. Furthermore, the Group generated an increase in cash and cash equivalents of about HK$8.9 million and, as stated in the consolidated statement of financial position, maintained a cash and cash equivalents of approximately HK$27.5 million at 31 December 2009.

The Group promised to pursue its existing businesses and at the same time, actively pursue other opportunistic investments in the PRC. During 2009, the Group identified an iron and titanium dioxide mine located at Ziyang County, Shaanxi Province, the PRC as having abundant potential, given the quantity of the mineral resources in the mine and the favourable reports complied by different professional parties. The business overview for the metal industry has also been considered favourable. Additionally, despite the global financial tsunami in 2008, the PRC Government has taken a series of revitalization measures to stimulate the steel industry in the PRC. The Group viewed this as providing the opportunity for the Group to penetrate the non-ferrous industry and to diversify its existing business. Therefore, in early November 2009, the Group entered into a sale and purchase agreement to acquire the iron and titanium dioxide mine at a consideration of HK$1,680 million. The deal was already secured support of the Group's shareholders at the special general meeting held on 17 March 2010 and was completed on 30 March 2010. During the completion, the Group issued convertible bonds in a principal amount of HK$1,680 million as consideration.

REVIEW OF OPERATION

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

Continuing Operations

Sale of Fabrics

Revenue generated from sale of fabrics decreased by HK$7.2 million to approximately HK$60.8 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 in the PRC to avoid cut-throat price competitions under tough trading environment. Furthermore, during the year, the Group only accepted sales orders from customer with good repayment record to minimize 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 PRC fabric supplying factories and therefore the bargaining power of the Group increased. 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 recognized quality and at low prices. As the sum of these positive impacts, the Group's segment loss on sale of fabrics decreased significantly by 83.7% to HK$4.2 million during the year.

In view of a 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 alliances in a cautious manner.

Sale of Garments and Accessories

The Group's primary market of garments trading was the United States and the revenue generated from the United States representing approximately 70.3% 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 a 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 consumed. Therefore, revenue generated from sales of garments and other related accessories showed an obvious decrease by 27.1% to HK$159.5 million as compared with last year and the segment profit decreased to approximately HK$6.1 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 the United States dollars. Although the segment still contributed an encouraging result to the Group during the year, 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 customers bases in the sale of garments and accessories to minimize the distress caused by the financial crisis.

Discontinued Operation

On 4 August 2008, the Group discontinued the fabric processing business in Zhongshan, the PRC and accordingly, the fabric processing operation was reclassified as a discontinued operation. At 31 December 2009 and 2008, all plant and machineries of the fabric processing operation was classified as assets classified as held for sale and valued by independent qualified valuers. The loss for the year from the discontinued operation of HK$4.1 million was the impairment loss of assets classified as held for sale.

PROSPECT AND OUTLOOK

In 2009, after the PRC government introduced policy to strengthen the textile industry and stimulate the domestic demand, the price of all kinds of textile raw materials rose continuously. Therefore, the Group expected that year 2010 still be a challenging year for textile industry. Although the challenges in the industry remain inevitably severe, the Group will concentrate its efforts on reinforcing its financial position to overcome the market volatility, stick to its profit-oriented strategy and pursue a turnaround result in this business. To retain the comparative advantages in textile industry in 2010, the Group will continue forming strategic alliance with sales persons with high marketing caliber to enhance our market position, deploy its financial resources only in high profit margin orders, be cautious in sourcing dyed fabrics from reliable fabric suppliers to maintain quality and volume, diversify the customer bases to minimize the downside exposure caused by the financial crisis and streamline the workforce to enhance efficiency of each operation of the Group.

Furthermore, the Group considered that the prospects of the non-ferrous industry is promising. Recently, the PRC government has decisively promulgated a series of economic stimulus measures and reinstated non-ferrous industry. Various measures have been put in place to stimulate domestic demand and stabilize market conditions. All these measures would likely have a positive impact on the non-ferrous industry in the PRC. After the commencement of exploitation activities, it will broaden the Group's income base and improve its financial performance in the foreseeable future.

LIQUIDITY AND FINANCIAL RESOURCES

At 31 December 2009, the Group had total assets of HK$132.6 million which were financed by total liabilities of HK$78.7 million and equity of HK$53.9 million. Accordingly, the Group's ratio of debts to total assets and debts to equity are 59.3% (2008: 56.8%) and 145.9% (2008: 131%), respectively.

The Group generally financed its operation by internal cash resources and bank financing. At 31 December 2009, the Group had cash on hand, bank deposits and bank balances for an aggregate amount of about HK$43.4 million (of which about HK$15.9 million was pledged with banks for banking facilities for the Group) and unutilised banking facilities for a total of about HK$103.2 million, which we consider sufficient for normal daily operation and expansion in 2010.

CAPITAL STRUCTURE

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

PLEDGE OF ASSETS

At 31 December 2009, the Group's bank deposits of about HK$15.9 million was pledged with banks for banking facilities of the Group.

NUMBER AND REMUNERATION OF EMPLOYEES, REMUNERATION POLICIES, BONUS AND SHARE OPTION SCHEMES AND TRADING SCHEMES

At 31 December 2009, the Group employed about 86 employees including sales and merchandising, accounting and administrative staff in Hong Kong, China and Bangladesh. The total staff costs and directors' remuneration for the year were approximately HK$18.6 million. Employees are remunerated based on market and industry practice. The remuneration policy and package of the Group's employees are regularly reviewed by the Board. Apart from provident fund scheme and medical insurance, discretionary bonuses and employee share options are also awarded to employees according to the assessment of individual performance.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

In the second half of 2008, the Group discontinued the fabric processing operation and maintained its plant and machineries in the dyeing factory in workable conditions and classified as assets classified as held for sale. At 31 December 2009, the assets classified as held for sale and factory buildings were valued at HK$11.4 million and HK$50 million, respectively. The Group continuously took steps to sell those plant and machineries to interested buyers. The factory buildings comprise a site with an area of approximately 65,333 square metres and the Group would lease or sell out to interested parties.

In early of November 2009, the Group entered a sale and purchase agreement to acquire an iron and titanium dioxide mine in the PRC. The deal was completed on 30 March 2010. During the completion, the Group issued convertible bonds in a principal amount of HK$1,680 million as consideration. The Group will penetrate the non-ferrous industry and diversify its existing business in 2010, with the aim of broadening the income base of the Group. The total capital injection plans for the mine is amount to about Rmb400 million. The management of the Group will closely monitor the progress and execution of the capital injection plans which may be updated from to time with reference to the business environment and the development of the mining businesses as well as the availability of the Group's financial resources at the time.

APPRECIATION

I wish to extend my most sincere thanks and appreciation to staff at all level within the Group and my fellow directors of their collective efforts, loyalty and continuing support to the Group during the year.

Yiu Ching On
Chairman

Hong Kong, 23 April 2010

EXECUTIVE DIRECTORS

Mr. Yiu Ching On, aged 74, is the Chairman of the Company and founder of the Group. He is responsible for the development of the strategic planning of the Group and liaising with various local government authorities in the PRC. He has extensive experience in textile and dyeing industries in Hong Kong and the PRC. He was the vice-chairman of The Hong Kong Association of Textile Bleachers, Dyers, Printers and Finishers Limited. He is the father of Mr. Yiu Kwok Ming, Tommy.

Mr. Yiu Kwok Ming, Tommy, aged 48, is the Vice-Chairman and the Managing Director of the Company. He is responsible for the business development and the overall management of the Group. He also assists in liaising and maintaining relationship with various local government authorities in the PRC. He has extensive experience in the textile and dyeing industries in Hong Kong and the PRC. He holds a bachelor degree in accounting from San Francisco State University of California. Prior to joining the Group in 1987, he worked for Exxon Corporation, a listed company in the United States, in its accounting and administration division. He is a son of Mr. Yiu Ching On.

Mr. Leung Kwok Ip, aged 51, is responsible for seeking sale orders of dyed fabrics for the Group. He has over 20 years of experience in fabric processing industry and has deep connection and relationship with people engaged in this industry. Prior to joining the Group in mid 2002, he served as a Sales Manager in a well-known fabric processing factory in Hong Kong which operated a production plant situated in Shenzhen, the PRC for about 16 years.

Mr. Wong Wai Man, aged 42, is an associate member of the Hong Kong Institute of Certified Public Accountants. He holds a Bachelor of Arts Degree in Accountancy from Hong Kong Polytechnic University. Prior to joining the existing Group in early 2001, he had gained extensive experience in accounting and auditing practices in Ernst & Young and had served as Financial Controller and Company Secretary in a main-board listed company in Hong Kong for about five years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheung Cho Yiu, aged 45, was appointed as an independent non-executive director on 7 August 2007. He has over 20 years of experience in corporate management in trading business. He is currently a director of a privately-owned motor trading company in Hong Kong. He is also the past president of The Rotary Club of Kowloon East, Hong Kong and is actively participating in various charitable activities.

Mr. Chan Kin Wah, Billy, aged 46, was appointed as an independent non-executive director on 25 July 2007. He has over 15 years of experience in accounting, finance and taxation fields. He is an associate member of the Hong Kong Institute of Certified Public Accountants, a CPA member of CPA Australia and a non-practicing member of the Chinese Institute of Certified Public Accountants. He holds a Bachelor of Administration Degree from the University of Ottawa in Canada and a Master of Commerce Degree in Professional Accounting from the University of New South Wales in Australia. Mr. Chan is currently an independent non-executive director of Eternite International Company Limited, a company listed on The Growth Enterprise Market of the Stock Exchange and an executive director of China Star Investment Holdings Limited, a company listed on the Main Board of the Stock Exchange.

Mr. Liang Jin An, aged 43, was appointed as an independent non-executive director on 25 July 2007. He has over 20 years of experience in finance, general management and property development in the PRC. He is currently a vice president and vice general manager of a privately-owned cosmetics manufacturing company in Guangzhou, the PRC. He was previously the financial controller and vice general manager of a well established property developer in Guangzhou from 1997 to 2005.

SENIOR MANAGEMENT

Mr. Wong Ho Yin, aged 39, is the Financial Controller and Company Secretary of the Group. He is a member of the Hong Kong Institute of Certified Public Accountants. He holds a Bachelor of Arts Degree in Accountancy from Hong Kong Polytechnic University. Prior to joining the Group in mid 2001, he had worked in a local medium-size accounting firm for about four years. He has extensive experience in accounting and corporate compliance.

CORPORATE GOVERNANCE PRACTICES

The Board of Directors and senior management of the Company are committed to implement effective corporate governance policies to ensure that all decisions are made in the best interest of the Company and in accordance with the principles of transparency, fairness and integrity. Effective corporate governance policies have also been provided for the necessary checks and balances. The Company will continue to improve its corporate governance structure, so as to strengthen corporate monitoring and management to meet the expectations of its shareholders and stakeholders.

For the year under review, the Company has complied with all applicable code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules. As confirmed by all directors after specific enquiry, all directors have complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions.

BOARD OF DIRECTORS

At 31 December 2009, the Board comprises four executive directors, namely Mr. Yiu Ching On (Chairman), Mr. Yiu Kwok Ming, Tommy (Vice Chairman and Managing Director), Mr. Leung Kwok Ip and Mr. Wong Wai Man and three independent non-executive directors, namely Mr. Cheung Cho Yiu, Mr. Chan Kin Wah, Billy and Mr. Liang Jin An. The independent non-executive directors are all experienced individuals from a range of industries. Their mix of skills and experience is an important element in the proper functioning of the board and in ensuring a high standard of objective debate and overall input to the decision-making process. The independent non-executive directors may seek for professional advice at the Company's expenses in carrying out their functions. Pursuant to the Listing Rules, every independent non-executive director has confirmed his independence with the Stock Exchange and provided an annual confirmation of his independence to the Company. The biographical details of all directors and their family relationship, if any, are provided on pages 9 to 10 of this annual report. The Board had arranged insurance cover for their directors.

The Board is accountable to shareholders. Its key responsibilities include the formulation of long-term business directions and strategies, monitoring of internal control, review of financial statements and approval of capital expenditures. The management is delegated with the authority to make decisions on daily operations related to the Company's business affairs. The Board reviews the performance of the management to ensure company policies are carried out properly and the business is run smoothly in the best interest of its shareholders.

Directors are entitled to seek independent professional advice at the Company's expense in connection with their duties and responsibilities as directors, subject to the prior consent of the Chairman.

Five full board meetings were held during the year, three of which were held through telephone conference. Meeting agenda were settled by the Chairman or Vice-Chairman to ensure adequate coverage of financial, strategic and major risk areas throughout the year.

Members	Number of Board meetings attended/held	Percentage of Board meetings attended
Executive directors		
Mr. Yiu Ching On	4/5	80%
Mr. Yiu Kwok Ming, Tommy	4/5	80%
Mr. Leung Kwok Ip	5/5	100%
Mr. Wong Wai Man	5/5	100%
Independent non-executive directors		
Mr. Cheung Cho Yiu	5/5	100%
Mr. Chan Kin Wah, Billy	4/5	80%
Mr. Liang Jin An	5/5	100%

CHAIRMAN AND CHIEF EXECUTIVE OFFICER ("CEO")

The posts of Chairman and CEO are separate. There is a clear distinction between their responsibilities. The Chairman is responsible for the Company's overall business directions and coordination between the Board and the Company's management, and the CEO is responsible for the business operations and executions of decisions made by the Board.

TERMS OF APPOINTMENTS AND RE-ELECTION OF DIRECTORS

At every annual general meeting ("AGM"), one third of the directors (other than the Chairman and CEO but including independent non-executive directors), or the nearest number to one third, shall retire from office and be eligible for re-election. A director appointed since the most recent AGM shall hold office only until the next annual general meeting and shall then be eligible for re-election. The directors to retire each year shall be the directors longest in office since being elected or re-elected. The independent non-executive directors were appointed at specific terms for three years.

AUDIT COMMITTEE

The monitoring and assessment of certain governance matters are allocated to committees which operate under defined terms of reference and are required to report to the full board on a regular basis.

The Audit Committee is primarily responsible for monitoring reporting, accounting, financial and control aspects of the executive management's activities. It also monitors the function of the group's external auditors. The Audit Committee comprises three independent non-executive directors, namely Mr. Chan Kin Wah, Billy (Chairman of the Committee), Mr. Cheung Cho Yiu and Mr. Liang Jin An. Two meetings were held during the year.

Members	Number of Audit Committee meetings attended/held	Percentage of Audit Committee meetings attended
Independent non-executive directors		
Mr. Chan Kin Wah, Billy	2/2	100%
Mr. Cheung Cho Yiu	1/2	50%
Mr. Liang Jin An	2/2	100%

REMUNERATION COMMITTEE

The Remuneration Committee was established to determine the compensation structure and rewards for the CEO and other executive directors and monitors the policies being applied in remunerating other senior executives. The Remuneration Committee comprises three independent non-executive directors, namely Mr. Liang Jin An (Chairman of the Committee), Mr. Chan Kin Wah, Billy and Mr. Cheung Cho Yiu, and one executive director, namely Mr. Yiu Kwok Ming, Tommy. During the year, one Remuneration Committee meeting had been convened to discuss the remuneration policy of the Group.

Members	Number of Remuneration Committee meetings attended/held	Percentage of Remuneration Committee meetings attended
Executive director		
Mr. Yiu Kwok Ming, Tommy	0/1	0%
Independent non-executive directors		
Mr. Liang Jin An	1/1	100%
Mr. Chan Kin Wah, Billy	0/1	0%
Mr. Cheung Cho Yiu	1/1	100%

FINANCIAL REPORTING

It is the responsibility of the Board to present a balanced, clear and comprehensive assessment of the Company's performance, position and prospects. The Board acknowledge their responsibility for the preparation of accounts which give a true and fair view. The financial statements are prepared in accordance with the requirements of the Listing Rules and other applicable regulations and industry best standards.

The responsibilities of independent external auditors to the shareholders are set out on pages 24 to 25 of this annual report.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal Audit Department was established to evaluate the effectiveness of internal control systems and to ensure the systems can meet the Group's particular needs and the risks to which it is exposed. It also assists the Audit Committee and the Board to review the completeness, accuracy and fairness of the financial statements, though the Board is responsible for the preparation of financial statements which give a true and fair view.

The Board has conducted a review of the effectiveness of the system of internal control of the Group by engaging an independent accounting firm to conduct regular half-year reviews of the internal control system together with the Internal Audit Department. The reviews have covered all material controls, including financial, operational and compliance controls and risk management functions. Regular review reports were submitted to the Board and the Audit Committee for comments and approval. Based on all findings and conclusions deduced from the review reports, the Board considers that the internal control systems of the Group are effective and adequate.

EXTERNAL AUDITORS

The Company's independent external auditors are Ascenda Cachet CPA Limited (formerly Cachet Certified Public Accountants Limited). The Audit Committee is responsible for considering the appointment of the external auditors and also reviews any non-audit functions performed by the external auditors for the Group. In particular, the Audit Committee will consider, in advance of them being contracted for and performed, whether such non-audit functions could lead to any potential material conflict of interest.

During the year ended 31 December 2009, the services provided by the Company's independent external auditors to the Group were as follows:

	2009 *HK$'000*	2008 *HK$'000*
Audit services	**310**	340
Other assurance services	**280**	—

COMMUNICATIONS WITH SHAREHOLDERS

The Company uses a number of formal communication channels to account to shareholders for the performance of the Company. These include the Annual Report, the Interim Report, periodic announcements made through the Stock Exchange and through AGM. Copies of relevant corporate and financial information are also made available through the Company's website: www.ching-hing.com.hk.

The Company aims to provide its shareholders and potential investors with high standards of disclosure and financial transparency. In order to provide effective disclosure to investors and potential investors and to ensure they all receive equal access to the same information at the same time, information considered to be of a price sensitive nature is released by way of formal public announcements as required by the Listing Rules. The Company also welcomes comments and questions from shareholders at its AGM.

The directors submit their report together with the audited financial statements of the Company and the Group for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 17 to the financial statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2009 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 26 to 96.

The directors do not recommend the payment of a dividend.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 30 and note 29 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2009, the Company had no distributable reserves. However, the Company's share premium account, in the amount of HK$71,148,000, may be distributed in the form of fully paid bonus shares and the Company's contributed surplus is available for distribution under the conditions as detailed in note 29b to the financial statements.

DONATIONS

During the year, the Group made charitable donations amounting to HK$34,000.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of the movements in property, plant and equipment and investment properties of the Group are set out in notes 15 and 16 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 28 to the financial statements.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group at 31 December 2009 are set out in notes 22 and 26 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws and there was no restriction against such rights under the laws of Bermuda.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 98.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its listed securities during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the year.

DIRECTORS

The directors during the year were:

Executive directors

Mr. Yiu Ching On
Mr. Yiu Kwok Ming, Tommy
Mr. Leung Kwok Ip
Mr. Wong Wai Man

Independent non-executive directors

Mr. Cheung Cho Yiu
Mr. Chan Kin Wah, Billy
Mr. Liang Jin An

In accordance with Clause 99 of the Company's bye-laws, Mr. Wong Wai Man, Mr. Chan Kin Wah, Billy and Mr. Liang Jin An will retire by rotation at the forthcoming annual general meeting. All the retiring directors are eligible for re-elections.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in "Related party transactions" set out in note 36 to the financial statements, no other contracts of significance in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly and indirectly, subsisted at the end of the year or at any time during the year.

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of directors are set out on pages 9 to 10.

DIRECTORS' INTERESTS IN SECURITIES

At 31 December 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:

Shares — long position

The Company:

	Number of shares held				
Name of directors	**Personal interests**	**Family interests**	**Corporate interests**	**Other interests**	**Total**
Mr. Yiu Ching On	4,752,000	32,618,000 *(note a)*	—	117,918,055 *(note c and d)*	155,288,055
Mr. Yiu Kwok Ming, Tommy	2,100,000	—	49,857,142 *(note b)*	117,918,055 *(note c)*	169,875,197
Mr. Wong Wai Man	270,000	—	—	—	270,000

Notes:

(a) Such shares are beneficially owned by his spouse, Ms. Wong Kai Chun.

(b) 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.

(c) Such shares are beneficially owned, as to 300,000 shares by Gaport Limited and as to 117,618,055 shares by Jarak Assets Limited. The entire issued share capital of Gaport Limited is beneficially owned by Determine Win Investments (PTC) Limited. 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. Determine Win Investments (PTC) Limited is 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.

(d) 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 *(note b)*	28,023,134 *(note c)*

Notes:

(a) The above represent interests in non-voting deferred shares.

(b) Such non-voting deferred shares are beneficially owned by his spouse, Ms. Wong Kai Chun.

(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.

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 30 to the financial statements.

Save as disclosed above and note 30 to the financial statements, at no time during the year 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 year 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 31 December 2009, the following parties (other than the directors) 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:

Interest in shares

Name	Number of shares held	Percentage of issued share capital at 31 December 2009
Ms. Wong Kai Chun *(notes a and b)*	155,288,055	40.4%
Determine Win Investments (PTC) Limited *(note b)*	117,918,055	30.7%
HSBC International Trustee Limited *(note c)*	117,918,055	30.7%
HSBC Investment Bank Holdings B.V. *(note c)*	117,918,055	30.7%
HSBC Holdings B.V. *(note c)*	117,918,055	30.7%
HSBC Finance (Netherlands) *(note c)*	117,918,055	30.7%
HSBC Holdings plc *(note c)*	117,918,055	30.7%
Jarak Assets Limited *(note b)*	117,618,055	30.6%
Happy Joy Limited *(note d)*	30,000,000	7.8%
Cotton Row Limited *(note d)*	19,857,142	5.2%

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.

(b) Such share are beneficially owned, as to 300,000 shares by Gaport Limited and as to 117,618,055 shares by Jarak Assets Limited. The entire issued share capital of Gaport Limited is beneficially owned by Determine Win Investments (PTC) Limited. 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. Determine Win Investments (PTC) Limited is 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 31 December 2009**
Maple Creation Limited *(Note a and e)*	3,894,545,454	1,013.3%
Pretty Wise Limited *(Note b and e)*	1,527,272,727	397.4%
Hay Sing Limited *(Note c and e)*	1,221,818,182	317.9%
Keen May Limited *(Note d and e)*	992,727,273	258.3%
Ms. Wong Kai Chun *(note f)*	7,042,000	1.8%

Note:

(a) Maple Creation Limited is legally and beneficially owned as to 100% by Mr. Fung Man Chun.

(b) Pretty Wise Limited is legally and beneficially owned as to 50% by Ms. Li Ying and 50% by Mr. Xia Hongbing.

(c) Hay Sing Limited is legally and beneficially owned as to 100% by Ms. Yang Xiaoli.

(d) Keen May Limited is legally and beneficially owned as to 100% by Ms. Qu Yinghong.

(e) In early November of 2009, the Group entered into a sale and purchase agreement with Maple Creation Limited, Pretty Wise Limited, Hay Sing Limited and Keen May Limited to acquire an iron and titanium dioxide mine in the PRC at a consideration of HK$1,680 million. The deal was completed on 30 March 2010. Upon the completion, the Group issued convertible bonds to them in a principal amount of HK$1,680 million as consideration. The interests represents the maximum number of new shares which may be issued upon the full conversion of convertible bonds issued by the Company on 30 March 2010 at the conversion price HK$0.22 per share.

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

CONNECTED TRANSACTIONS

During the year, the Group had connected transactions set out in notes 24, 25, 26, 33 and 36 to the financial statement, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules. The Independent Non-executive Directors have reviewed the connected transactions with the related parties. In their opinion, these transactions entered into by the Group were:

(i) in the ordinary and usual course of business of the Group; and

(ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable than terms available to or from independent third parties;

Other than those transactions described in notes 24, 25, 26, 33 and 36 to the financial statements, there were no other transactions which need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases	
— the largest supplier	21.4%
— five largest suppliers combined	64.7%
Sales	
— the largest customer	66.9%
— five largest customers combined	80.0%

None of the directors, their associates or any shareholders (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

DIRECTORS' INTEREST IN COMPETING INTEREST

None of the directors or the substantial shareholders (as defined in the Listing Rules) of the Company had an interest in a business which competes or may compete with the business of the Group.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES OF THE LISTING RULES

None of the Directors of the Company is aware of information that would reasonably indicated that the Company is not, or was not throughout the accounting period, 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 a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules. As confirmed by all directors after specific enquiry, all directors have complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board confirmed that the Company has received from each of its independent non-executive directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considered all of the independent non-executive directors to be independent throughout the year.

SUFFICIENCY OF PUBLIC FLOAT

The company has maintained a sufficient public float throughout the year.

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. Two meetings were held during the current financial year. The Audit Committee had reviewed the audited results of the Group for the year ended 31 December 2009.

AUDITORS

There has been no change of auditors in the past three years.

The financial statements for the years ended 31 December 2008 and 2009 were audited by Ascenda Cachet CPA Limited (formerly Cachet Certified Public Accountants Limited). A resolution for the reappointment of Ascenda Cachet CPA Limited as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Yiu Ching On
Chairman

Hong Kong, 23 April 2010

Ascenda Cachet CPA Limited
天健德揚會計師事務所有限公司
13F Neich Tower, 128 Gloucester Road, Wanchai, Hong Kong

To the shareholders of **Ching Hing (Holdings) Limited**
(Incorporated in the Bermuda with limited liability)

We have audited the financial statements of Ching Hing (Holdings) Limited (the "Company", together with its subsidiaries, the "Group") set out on pages 26 to 96, which comprise the consolidated and company statements of financial position as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

AUDITORS' RESPONSIBILITY *(CONTINUED)*

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

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

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2009 and of the loss and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ascenda Cachet CPA Limited
(Formerly Cachet Certified Public Accountants Limited)
Certified Public Accountants

Chan Yuk Tong
Practising Certificate Number P03723

Hong Kong
23 April 2010

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009
(Expressed in Hong Kong dollars)

	Notes	2009 $'000	2008 $'000
Continuing operations			
Revenue	4	**220,320**	287,021
Cost of sales		**(194,218)**	(264,783)
Gross profit		**26,102**	22,238
Other income	4	**2,166**	1,020
Fair value gain/(loss) on investment properties		**827**	(1,007)
Distribution costs		**(12,196)**	(16,971)
Administrative expenses		**(15,948)**	(18,081)
Other operating expenses	6	**(4,926)**	(7,783)
Finance costs	8	**(3,366)**	(4,278)
Loss before tax	7	**(7,341)**	(24,862)
Income tax expense	11	**(540)**	(2,135)
Loss for the year from continuing operations		**(7,881)**	(26,997)
Discontinued operation			
Loss for the year from discontinued operation	13	**(4,081)**	(16,315)
Loss for the year		**(11,962)**	(43,312)
Attributable to:			
Owners of the Company	12	**(13,099)**	(44,162)
Minority interests		**1,137**	850
		(11,962)	(43,312)
Loss per share attributable to ordinary equity holders of the Company	14		
Basic			
— For loss for the year		**(3.41 cents)**	(11.49 cents)
— For loss from continuing operations		**(2.35 cents)**	(7.25 cents)
Diluted			
— For loss for the year		**(3.41 cents)**	(11.49 cents)
— For loss from continuing operations		**(2.35 cents)**	(7.25 cents)
Dividend		**—**	—

The accompanying notes on pages 33 to 96 form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009
(Expressed in Hong Kong dollars)

	2009 $'000	2008 $'000
Loss for the year	**(11,962)**	(43,312)
Other comprehensive income		
Exchange differences on translation of foreign operations	**340**	2,568
Gain on revaluation of properties	**—**	16,323
Other comprehensive income for the year, net of tax	**340**	18,891
Total comprehensive income for the year, net of tax	**(11,622)**	(24,421)
Total comprehensive income attributable to:		
Owners of the Company	**(12,759)**	(25,271)
Minority interests	**1,137**	850
	(11,622)	(24,421)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2009
(Expressed in Hong Kong dollars)

	Notes	2009 $'000	2008 $'000
Non-current assets			
Property, plant and equipment	15	**2,370**	3,460
Investment properties	16	**58,720**	57,802
Available-for-sale financial investment	18	**590**	590
		61,680	61,852
Current assets			
Trade and bills receivables	19	**14,780**	32,810
Other receivables, prepayments and deposits	20	**1,357**	1,237
Pledged bank deposits	21	**15,866**	19,527
Cash and cash equivalents	21	**27,531**	18,598
		59,534	72,172
Assets classified as held for sale	13	**11,383**	15,444
		70,917	87,616
Current liabilities			
Bank overdrafts, secured	22	**4,199**	6,332
Interest-bearing bank borrowings, secured	22	**14,588**	11,776
Trust receipt loans, secured	22	**6,738**	9,503
Trade and bills payables	23	**19,440**	25,925
Other payables and accruals		**11,169**	11,020
VAT and other tax payables		**—**	27
Due to directors	24	**4,200**	1,200
Due to a shareholder	25	**6,013**	6,013
Due to a related company	26	**779**	733
Finance lease payables	27	**281**	308
Tax payable	11	**3,176**	2,879
		70,583	75,716
Net current assets		**334**	11,900
Total assets less current liabilities		**62,014**	73,752
Non-current liabilities			
Due to a related company	26	**7,698**	8,478
Finance lease payables	27	**382**	663
		8,080	9,141
Net assets		**53,934**	64,611

As at 31 December 2009
(Expressed in Hong Kong dollars)

	Notes	2009 $'000	2008 $'000
Equity			
Equity attributable to owners of the Company			
Issued capital	28	**19,217**	19,217
Reserves	29a	**29,949**	41,763
		49,166	60,980
Minority interests		**4,768**	3,631
Total equity		**53,934**	64,611

The financial statements were approved and authorised for issue by the board of directors on 23 April 2010.

Yiu Ching On
Director

Yiu Kwok Ming, Tommy
Director

The accompanying notes on pages 33 to 96 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009
(Expressed in Hong Kong dollars)

	Attributable to owners of the Company										
	Share capital $'000	Share premium# $'000	Property revaluation reserves# $'000	Statutory surplus reserve# $'000	Employee share option reserves# $'000	Capital reserves# $'000	Exchange reserves# $'000	Accumulated losses# $'000	Total $'000	Minority interests $'000	Total Equity $'000
	(Note 28)	*(Note 29a)*		*(Note 29a)*		*(Note 29a)*					
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
Total comprehensive income for the year	—	—	16,323	—	—	—	2,568	(44,162)	(25,271)	850	(24,421)
Lapse of options granted	—	—	—	—	(12)	—	—	12	—	—	—
Equity settled share option arrangements	—	—	—	—	611	—	—	—	611	—	611
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
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**—**	**—**	**340**	**(13,099)**	**(12,759)**	**1,137**	**(11,622)**
Equity settled share option arrangements	**—**	**—**	**—**	**—**	**945**	**—**	**—**	**—**	**945**	**—**	**945**
At 31 December 2009	**19,217**	**71,148**	**35,275**	**7,611**	**1,736**	**52,694**	**11,667**	**(150,182)**	**49,166**	**4,768**	**53,934**

\# The reserve accounts comprise the consolidated reserves of HK$29,949,000 (2008: HK$41,763,000) in the consolidated statement of financial position.

The accompanying notes on pages 33 to 96 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009
(Expressed in Hong Kong dollars)

	Note	2009 $'000	2008 $'000
Net cash flows from/(used in) operating activities	32(a)	**5,246**	(11,873)
Cash flows from investing activities			
Interest received		**292**	886
Proceeds from disposal of items of property, plant and equipment		**—**	333
(Decrease)/increase in pledged bank deposits		**3,661**	(2,114)
Purchase of items of property, plant and equipment		**(141)**	(1,074)
Increase in deposit paid		**—**	(669)
Net cash flows used in investing activities		**3,812**	(2,638)
Cash flows from financing activities			
Proceeds from new bank borrowings		**12,273**	52
Repayment of bank borrowings		**(9,461)**	(21,606)
Increase in due to directors		**3,000**	1,200
Decrease in due to a shareholder		**—**	(200)
Advances from a related company		**—**	9,500
Repayment to a related company		**(734)**	(289)
Repayment of finance lease payables		**(308)**	(720)
Net cash flows from/(used in) financing activities		**4,770**	(12,063)
Net increase/(decrease) in cash and cash equivalents		**13,828**	(26,574)
Cash and cash equivalents at beginning of year		**2,763**	29,084
Effect of foreign exchange rate changes		**3**	253
Cash and cash equivalents at end of year		**16,594**	2,763
Analysis of balances of cash and cash equivalents:			
Cash and bank balances		**18,171**	14,698
Non-pledged time deposit		**9,360**	3,900
Cash and cash equivalents as stated in the consolidated statement of financial position		**27,531**	18,598
Bank overdrafts, secured		**(4,199)**	(6,332)
Trust receipt loans repayable within three months		**(6,738)**	(9,503)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**16,594**	2,763

The accompanying notes on pages 33 to 96 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2009
(Expressed in Hong Kong dollars)

	Notes	**2009 $'000**	2008 $'000
Non-current assets			
Investments in subsidiaries	*17*	**54,908**	61,221
Current assets			
Other receivables, prepayments and deposits	*20*	**153**	128
Cash and cash equivalents	*21*	**155**	46
		308	174
Current liabilities			
Other payables and accruals		**453**	619
Due to directors	*24*	**1,200**	200
		1,653	819
Net current liabilities		**(1,345)**	(645)
Net assets		**53,563**	60,576
Equity			
Issued capital	*28*	**19,217**	19,217
Reserves	*29b*	**34,346**	41,359
Total equity		**53,563**	60,576

The financial statements were approved and authorised for issue by the board of directors on 23 April 2010.

Yiu Ching On
Director

Yiu Kwok Ming, Tommy
Director

The accompanying notes on pages 33 to 96 form part of these financial statements.

1. CORPORATE INFORMATION

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

The Company and its subsidiaries (collectively, the "Group") were principally engaged in the sales of fabrics and sales of garments and other related accessories in Hong Kong, the United States and the Peoples' Republic of China (the "PRC") during the year. The Group discontinued the provision of fabric processing services last year.

During the year, the Group had entered into an agreement with independent third parties for the acquisition of a mining group which was subsequently approved by the shareholders of the Company in the special general meeting held on 17 March 2010. Upon the approval from the shareholders of the Company, the Group had diversified its principal activities and engaged in iron and titanium exploration, development and mining in the PRC through the newly acquired subsidiaries.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong. In addition, the consolidated 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") and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, which have been measured at fair value. Assets classified as held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 13. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of presentation

Despite the fact that the Group incurred a loss for the year attributable to owners of the Company of approximately $13,099,000 (2008: $44,162,000), the Group had net current assets and net assets of approximately $334,000 (2008: $11,900,000) and $53,934,000 (2008: $64,611,000), respectively, at the end of the reporting period, and the financial statements have been prepared on the basis that the Group will continue to operate as a going concern. Such going concern basis is based upon the presumption of continuous financial support from the directors and a shareholder of the Company, who have agreed not to demand repayment of the amounts due to them until the Group is in a position to do so.

(Expressed in Hong Kong dollars unless otherwise stated)

2.1 BASIS OF PREPARATION *(CONTINUED)*

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2009. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. An acquisition of minority interests is accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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 Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 18 Amendment[#]	Amendment to Appendix to HKAS 18 Revenue — Determining whether an entity is acting as a principal or as an agent
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 & 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
HK(IFRIC)-Int 18	Transfers of Assets from Customers (1 July 2009)
Improvements to HKFRSs (October 2008)[*]	Amendments to a number of HKFRSs except for Amendment to HKFRS 5

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(CONTINUED)*

Included in Improvements to HKFRSs 2009 (as issued in May 2009)

* The Group adopted all the improvement to HKFRSs issued in October 2008 except for the amendments to HKFRS 5 Non-current assets Held for Sale and Discontinued Operation — Plan to sell the controlling interest in a subsidiary, which is effective for annual periods beginning on or after 1 July 2009.

Other than as further explained below regarding the impact of HKAS 1 (Revised) and HKFRS 8, the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements.

(a) HKFRS 8 — *Operating Segments*

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 Group concluded that the operating segments determined in accordance with HKFRS 8 are the same as the business segments previously identified under HKAS 14. These revised disclosures, including the related revised comparative information, are shown in note 5 to the financial statements.

(b) HKAS 1 (Revised) — *Presentation of Financial Statements*

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 includes 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 expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

(Expressed in Hong Kong dollars unless otherwise stated)

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 1 (Revised)	First-time adoption of Hong Kong Financial Reporting Standards[1]
HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards — Additional Exemptions for First-time Adopters[2]
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment — Group Cash-settled Share-based Payment Transactions[2]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[6]
HKAS 24 (Revised)	Related Party Disclosures[5]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 Amendments	Amendment to HKAS 32 Financial Instruments: Presentation — Classification of Right Issues[3]
HKAS 39 Amendments	Amendment to HKAS 39 Financial Instruments: Recognition and Measurement — Eligible Hedged Items[1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 Prepayments of a Minimum Funding Requirement[5]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[4]
Amendments to HKFRS 5 included in Improvements to HKFRSs issued in October 2008	Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operation — Plan to Sell the Controlling interest in a Subsidiary[1]
HK Interpretation 4 (Revised in December 2009)	Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases[2]

Apart from the above, the HKICPA has issued Improvements to HKFRSs 2009 which sets out amendments to a number of HKFRSs primarily with a view to reviewing inconsistencies and clarify wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 38 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

1 Effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2010
3 Effective for annual periods beginning on or after 1 February 2010
4 Effective for annual periods beginning on or after 1 July 2010
5 Effective for annual periods beginning on or after 1 January 2011
6 Effective for annual periods beginning on or after 1 January 2013

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

Impairment of non-financial assets

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Related parties

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

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

(b) the party is an associate;

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

(d) the party is a member of the key management personnel of the Group;

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

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

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

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for disposal or when it is part of a disposal group classified as held for disposal, it is not depreciated and is accounted with HKFRS 5, as further explained in the accounting policy for "Assets held for disposal". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situation where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

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

Buildings	5%
Plant and machinery	10%
Furniture, fixtures and office equipment	20%
Motor Vehicles	30%
Leasehold improvements	5%

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

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at end of each reporting period.

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

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

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Investment properties *(continued)*

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

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

Assets classified as held for sale

Assets are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets and its sale must be highly probable.

Assets (other than investment properties and financial assets) classified as held for disposal are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Leases

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

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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

The Group's financial assets include cash and bank balances, trade and bills receivables, other receivables, and available-for-sale financial investment.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement in other operating expenses.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Investments and other financial assets *(continued)*

Available-for-sale financial investments *(continued)*

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment valuation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in the income statement and removed from the available-for-sale investment valuation reserve. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as other income.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

The Group evaluates its available-for-sale financial investments whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. The reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Impairment of financial assets

The Group assesses at end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Impairment of financial assets *(continued)*

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the statements of income.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or ''prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement — is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Derecognition of financial assets

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In the case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include bank overdrafts, interest bearing bank borrowings, trust receipts loans, trade and bills payables, other payables and accruals, an amount due to a shareholder, amount due to a related company, amounts due to directors, and finance lease payables.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial liabilities *(continued)*

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Derecognition of financial liabilities

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

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

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and other valuation models.

Cash and cash equivalents

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

For the purpose of the statements of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

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

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

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Income tax *(continued)*

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

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

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

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

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

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

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Income tax *(continued)*

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

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

Revenue recognition

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

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

— from the provision of fabric processing services is recognised on the completion of the process which general coincides with the time when goods are delivered to customers;

— rental income, on a time proportion basis over the lease terms; and

— interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Employee benefits

Pension schemes

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

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

The past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, the pension plan, past service costs are recognised immediately.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Share-based payment transactions

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using the Black-Scholes option pricing model, further details of which are given in note 30 to the financial statements.

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

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

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

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Foreign currencies

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

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of reporting period and, their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

The preparation of the Group's financial statements requires management to make the following judgement, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Assessment of impairment of non-current assets

The Group tests annually whether non-current assets have suffered any impairment based on their value in use or their net selling price.

Useful lives of property, plant and equipment

The management of the Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovation. Management will change the depreciation charge where useful lives are different from the previously estimated lives. It will also write-off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Provision for impairment of receivables

The policy for the provision for impairment of receivables of the Group is based on the evaluation of collectibles and ageing analysis of accounts and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer.

Estimated fair value of financial assets

The estimation of fair value of financial assets required the Group to estimate the future market value expected to be recovered from the disposal of the financial assets and a suitable discount rate in order to calculate the present value.

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the invoiced value of sales of fabrics, income from provision of fabric processing services and sale of garments and other related accessories, after allowances for returns and trade discounts.

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

	2009	2008
	$'000	*$'000*
Revenue		
Sales of fabrics	**60,792**	68,042
Sales of garments and accessories	**159,528**	218,979
Attributable to continuing operations reported in the consolidated income statement	**220,320**	287,021
Income from fabric processing services provided attributable to a discontinued operation *(Note 13)*	**—**	10,797
	220,320	297,818
Other income and gains		
Continuing operations		
Interest income	**292**	877
Write back of impairment losses on trade and bills receivables	**1,389**	—
Commission income	**117**	—
Gain on disposal of items of property, plant and equipment	**—**	22
Others	**368**	121
	2,166	1,020
Discontinued operation		
Interest income	**—**	9
Gain on disposal of items of property, plant and equipment	**—**	76
Gain on scrap sales	**—**	2,486
	—	2,571
	2,166	3,591
Total revenue, income and gains	**222,486**	301,409

5. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

Continuing operations

(a) the sales of fabrics segment is trading of the fabrics; and

(b) the sales of garments and accessories segment is trading of garments and other related accessories;

Discontinued operation in previous year

(c) the fabric processing segment was the provision of fabric processing services.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment result, which is a measure of adjusted loss before tax from operations. The adjusted loss before tax from operations is measured consistently with the Group's loss before tax from operations except that interest income, finance costs as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude the amounts due to directors, a related company and a shareholder, tax payables and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

5. OPERATING SEGMENT INFORMATION *(CONTINUED)*

	Year ended 31 December 2009				
	Continuing operations			Discontinued operation	
	Sales of fabrics *$'000*	Sales of garments and accessories *$'000*	Subtotal *$'000*	Fabric processing *$'000*	Total *$'000*
Segment revenue					
Sales to external customers	60,792	159,528	220,320	—	220,320
Segment results	(4,237)	6,068	1,831	(4,081)	(2,250)
Reconciliation:					
Interest income and unallocated gains			828	—	828
Corporate and other unallocated expenses			(8,233)	—	(8,233)
Finance costs			(1,767)	—	(1,767)
Loss before tax			(7,341)	(4,081)	(11,422)
Segment assets	33,336	28,478	61,814	11,383	73,197
Reconciliation:					
Unallocated assets			59,400	—	59,400
Total assets			121,214	11,383	132,597
Segment liabilities	40,292	15,430	55,722	—	55,722
Reconciliation:					
Unallocated liabilities			22,941	—	22,941
Total liabilities			78,663	—	78,663
Other segment information					
Capital expenditure	44	133	177	—	177
Depreciation and amortisation	816	406	1,222	—	1,222
Reconciliation:					
Unallocated depreciation and amortisation			9	—	9
			1,231	—	1,231
Impairment loss recognised:					
Trade and bills receivables	471	—	471	—	471
Other receivables	10	—	10	—	10
Write back of impairment loss of trade and bills receivables	(1,389)	—	(1,389)	—	(1,389)
Write off of trade and bills receivables	567	—	567	—	567

5. OPERATING SEGMENT INFORMATION *(CONTINUED)*

	Year ended 31 December 2008				
	Continuing operations			Discontinued operation	
	Sales of fabrics *$'000*	Sales of garments and accessories *$'000*	Sub-total *$'000*	Fabric processing *$'000*	Total *$'000*
Segment revenue					
Sales to external customers	68,042	218,979	287,021	10,797	297,818
Segment results	(26,012)	11,503	(14,509)	(16,779)	(31,288)
Reconciliation:					
Interest income and unallocated gains			116	75	191
Corporate and other unallocated expenses			(10,334)	(3)	(10,337)
Finance costs			(135)	(2)	(137)
Loss before tax			(24,862)	(16,709)	(41,571)
Segment assets	43,319	32,274	75,593	15,444	91,037
Reconciliation:					
Unallocated assets			58,431	—	58,431
Total assets			134,024	15,444	149,468
Segment liabilities	41,900	22,019	63,919	—	63,919
Reconciliation:					
Unallocated liabilities			20,938	—	20,938
Total liabilities			84,857	—	84,857
Other segment information					
Capital expenditure	105	767	872	202	1,074
Depreciation and amortisation	816	234	1,050	4,362	5,412
Reconciliation:					
Unallocated depreciation and amortisation			11	—	11
			1,061	4,362	5,423
Impairment loss recognised/ (written back):					
Trade and bills receivables	1,150	764	1,914	(696)	1,218
Other receivables	640	—	640	—	640
Write off of trade and bills receivables	529	—	529	241	770
Write off of inventories	—	—	—	2,922	2,922
Write off of and loss on disposal of items of property, plant and equipment	—	—	—	4,212	4,212

5. OPERATING SEGMENT INFORMATION *(CONTINUED)*

Geographical information

	For the year ended 31 December 2009				
	Hong Kong	**United States**	**The PRC**	**Others**	**Total**
	$'000	***$'000***	***$'000***	***$'000***	***$'000***
Revenue					
Sales to external customers	**51,179**	**154,976**	**4,841**	**9,324**	**220,320**
Revenue from discontinued operation	**—**	**—**	**—**	**—**	**—**
Revenue from continuing operations	**51,179**	**154,976**	**4,841**	**9,324**	**220,320**
Segment assets	**58,508**	**838**	**73,066**	**185**	**132,597**
Capital expenditure	**169**	**—**	**8**	**—**	**177**

	For the year ended 31 December 2008				
	Hong Kong	United States	The PRC	Others	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Revenue					
Sales to external customers	60,210	190,602	12,962	34,044	297,818
Revenue from discontinued operation	(2,316)	—	(8,481)	—	(10,797)
Revenue from continuing operations	57,894	190,602	4,481	34,044	287,021
Segment assets	54,778	13,401	80,092	1,197	149,468
Capital expenditure	865	—	209	—	1,074

Information about a major customer

Revenue from continuing operations of approximately HK$147,335,000 (2008: HK$167,359,000) was derived from sales of garments and accessories segment to a single customer.

6. OTHER OPERATING EXPENSES

	Continuing operations		Discontinued operation *(Note 13)*	
	2009	2008	**2009**	2008
	$'000	*$'000*	***$'000***	*$'000*
Impairment loss recognised/ (written back) — trade and bills receivable	**471**	1,914	**—**	(696)
Impairment of other receivables	**10**	640	**—**	—
Claims expense	**—**	1,170	**—**	—
Write off of trade and bills receivables	**567**	529	**—**	241
Incidental cost on proposed investments	**2,544**	—	**—**	—
Write off of deposit paid	**—**	2,669	**—**	—
Share-based payment	**945**	611	**—**	—
Compensation to employees on termination of employment	**—**	—	**—**	3,026
Write off of and loss on disposal of items of property, plant and equipment	**—**	—	**—**	4,212
Exchange losses	**335**	213	**—**	87
Others	**54**	37	**—**	43
	4,926	7,783	**—**	6,913

7. LOSS BEFORE TAX

Loss before tax is stated after charging:

	2009 **$'000**	2008 *$'000*
Auditors' remuneration:		
Current year	**310**	340
	310	340
Cost of inventories sold:		
Continuing operations	**194,218**	264,783
Discontinued operation*	**—**	19,437
	194,218	284,220
Depreciation	**1,231**	5,423
Impairment of trade and bills receivable	**471**	1,914
Impairment of other receivables	**10**	640
Write off of deposit paid	**—**	2,669
Write off of and loss on disposal of items of property, plant and equipment	**—**	4,212
Minimum lease payments under operating leases — land and buildings	**877**	1,191
Staff costs (excluding directors' remuneration *(note 10)*):		
Salaries and allowances	**13,621**	12,772
Retirement benefit costs	**314**	559
Equity settled share option expenses	**15**	15
	13,950	13,346

* Included in the cost of inventories sold in respect of discontinued operation was write off of inventories amounting to $2,922,000 in prior year.

8. FINANCE COSTS

	Continuing operations		Discontinued operation *(Note 13)*	
	2009	2008	**2009**	2008
	$'000	*$'000*	***$'000***	*$'000*
Bank charges	**1,112**	1,941	**—**	5
Interest on bank loans and overdraft	**490**	910	**—**	762
Interest on other loans	**1,708**	1,297	**—**	28
Finance lease charges	**56**	130	**—**	2
	3,366	4,278	**—**	797

9. RETIREMENT BENEFIT COSTS

The Group contributes to defined contribution retirement schemes (including the Occupational Retirement Scheme ("ORSO Scheme") and Mandatory Provident Fund Scheme ("MPF Scheme")) which are available to all full time employees in Hong Kong and employees who are registered residents of Nantou Town, Zhongshan City, the PRC. Contributions to the scheme by the Group and employees are calculated as a percentage of employees' basic salaries.

The Group's contributions to the ORSO Scheme available to certain Hong Kong employees are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

For the MPF Scheme, the Group and its Hong Kong employees each make monthly contribution at 5% of the employee's relevant income, with the maximum contribution by each of the Group and the employees limited to $1,000 per month, as defined in the Hong Kong Mandatory Provident Fund Schemes Ordinance. Such contributions are fully and immediately vested in the employees as accrued benefits once they are paid.

10. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2009	2008
	$'000	*$'000*
Fees	**144**	144
Other emoluments:		
Salaries, allowances and benefits in kind	**3,456**	3,456
Equity settled share option expenses	**930**	596
Retirement benefit costs	**114**	114
	4,500	4,166
	4,644	4,310

(a) The emoluments paid or payable to each of directors of the Company during the year are as follows:

For the year ended 31 December 2009

Name of director	Fees *$'000*	Salary, allowances and benefit in kind *$'000*	Discretionary bonus *$'000*	Retirement benefit costs *$'000*	Equity settled share option expenses *$'000*	Total *$'000*
Executive directors						
Mr. Yiu Ching On	—	1,040	—	48	433	1,521
Mr. Yiu Kwok Ming, Tommy	—	910	—	42	433	1,385
Mr. Leung Kwok Ip	—	676	—	12	32	720
Mr. Wong Wai Man	—	830	—	12	32	874
	—	3,456	—	114	930	4,500
Independent non-executive directors						
Mr. Cheung Cho Yiu	48	—	—	—	—	48
Mr. Chan Kin Wah, Billy	48	—	—	—	—	48
Mr. Liang Jin An	48	—	—	—	—	48
	144	—	—	—	—	144
Total	144	3,456	—	114	930	4,644

10. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION *(CONTINUED)*

(a) The emoluments paid or payable to each of directors of the Company during the year are as follows: *(continued)*

For the year ended 31 December 2008

Name of director	Fees *$'000*	Salary, allowances and benefit in kind *$'000*	Discretionary bonus *$'000*	Retirement benefit costs *$'000*	Equity settled share option expenses *$'000*	Total *$'000*
Executive directors						
Mr. Yiu Ching On	—	1,040	—	48	266	1,354
Mr. Yiu Kwok Ming, Tommy	—	910	—	42	266	1,218
Mr. Leung Kwok Ip	—	676	—	12	32	720
Mr. Wong Wai Man	—	830	—	12	32	874
	—	3,456	—	114	596	4,166
Independent non-executive directors						
Mr. Cheung Cho Yiu	48	—	—	—	—	48
Mr. Chan Kin Wah, Billy	48	—	—	—	—	48
Mr. Liang Jin An	48	—	—	—	—	48
	144	—	—	—	—	144
Total	144	3,456	—	114	596	4,310

During the year, there were no other emoluments payable to the independent non-executive directors (2008: Nil).

During the year, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office (2008: Nil). There were no arrangements under which a director waived or agreed to waive any remuneration during the year.

10. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION *(CONTINUED)*

(b) Five highest paid individuals

The five individuals whose remuneration were the highest in the Group included four (2008: four) executive directors. Details of the remuneration of the remaining one (2008: one) highest paid employee during the year are as follows:

	2009 **$'000**	2008 $'000
Salaries and allowances	**626**	740
Discretionary bonuses	**—**	—
Retirement benefit costs	**12**	12
	638	752

The remuneration of the above employees fell within the following band:

	2009 ***Number***	2008 *Number*
$Nil — $1,000,000	**1**	1

11. INCOME TAX

(a) The amount of tax charge/(credit) to the consolidated income statement represents:

	Continuing operations		Discontinued operation *(Note 13)*	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Current tax — Hong Kong				
Provision for the year	**515**	1,415	**—**	—
Tax concession in respect of 2007/08	**—**	25	**—**	—
Underprovision in respect of prior years	**—**	791	**—**	—
	515	2,231	**—**	—
Current tax — Overseas				
Provision for the year	**25**	15	**—**	—
Overprovision in respect of prior years	**—**	(111)	**—**	(394)
	25	(96)	**—**	(394)
	540	2,135	**—**	(394)

(i) 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 during the year.

(ii) Tax on overseas profits is calculated on the estimated assessable profits for the year at the rates of tax prevailing in the countries in which the Group operates.

(iii) Under the Corporate Income Tax Law of the People's Republic of China (the "CIT Law"), the corporate income tax rate applicable to domestic companies was 25%.

As certain of the Company's subsidiaries are established and operated in Zhongshan City, Guangdong Province, the PRC, these subsidiaries are subject to the standardised tax rate of 25% on their taxable income.

11. INCOME TAX *(CONTINUED)*

(b) Tax charge/(credit) for the year can be reconciled to the accounting loss as follows:

	Continuing operations		**Discontinued operation** *(Note 13)*	
	2009	2008	**2009**	2008
	$'000	*$'000*	***$'000***	*$'000*
Loss before tax	**(7,341)**	(24,862)	**(4,081)**	(16,709)
Tax credit calculated at the average tax rate	**(1,287)**	(4,812)	**(1,020)**	(4,105)
Tax effect of expenses not deductible	**987**	2,300	**1,020**	3,967
Tax effect of income not taxable	**(237)**	(374)	**—**	(2)
Tax effect of temporary difference on depreciable assets not recognised	**122**	(36)	**—**	2
Utilisation of previously unrecognised tax losses	**(83)**	—	**—**	—
Tax loss not recognised	**1,038**	2,499	**—**	55
Tax concession in respect of 2007/08	**—**	(25)	**—**	—
Under/(over)-provision in respect of prior years	**—**	680	**—**	(394)
Effect of change in tax rate not recognised	**—**	1,903	**—**	83
Tax charge/(credit) at the Group's effective tax rate	**540**	2,135	**—**	(394)

12. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

Loss attributable to owners of the Company included a loss of $7,958,000 (2008: $18,172,000) which has been dealt with in the financial statements of the Company.

13. DISCONTINUED OPERATION AND ASSETS CLASSIFIED AS HELD FOR SALE

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 sale of fabric and fabric processing where the fabric processing was a separate operating segment and is part of the Mainland China and Hong Kong operations. In 2008, The Group decided to cease its fabric processing business and accordingly, the fabric processing operation was reclassified as a discontinued operation since then. Since Zhongshan Ching Hing is expected not to resume the fabric processing operation in the future, all plant and machineries of Zhongshan Ching Hing will be sold out when interested buyers, if any, have been identified. During the year, the Group had been approached by certain potential buyers and made verbal offer to them. The Group had not changed its intention to recommence the fabric processing operation where the related leasehold land and factory premises, which had been classified as investment properties, were leased out during the year. As at 31 December 2009, the Group is still in the process of seeking for interested buyer(s). Accordingly, the said plant and machineries have been classified as assets classified as held for sale as at 31 December 2009.

The results of the fabric processing operation for the year are presented below:

	2009	2008
	$'000	*$'000*
Revenue — income from fabric processing service provided	**—**	10,797
Cost of sales	**—**	(19,437)
Other income	**—**	2,571
Distribution costs	**—**	(554)
Administrative expenses	**—**	(2,376)
Other operating expenses	**—**	(6,913)
Impairment loss of assets classified as held for sale	**(4,081)**	—
Finance costs	**—**	(797)
Loss before tax from the discontinued operation	**(4,081)**	(16,709)
Income tax expense	**—**	394
Loss for the year from the discontinued operation	**(4,081)**	(16,315)

	2009	2008
Loss per share:		
Basic, from the discontinued operation	**(1.06 cents)**	(4.24 cents)
Diluted, from the discontinued operation	**(1.06 cents)**	(4.24 cents)

13. DISCONTINUED OPERATION AND ASSETS CLASSIFIED AS HELD FOR SALE *(CONTINUED)*

The calculation of basic loss per share amounts from discontinued operation is based on the loss for the year attributable to owners of the Company from discontinued operation, and the number of ordinary shares in issue during the year.

The calculation of diluted earnings per share amounts from discontinued operation is based on the loss for the year attributable to owners of the Company from discontinued operation. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic loss per share amounts from discontinued operation presented for the years ended 31 December 2009 and 2008 in respect of a dilution as the impact of share options outstanding had an anti-dilutive effect on basic loss per share amounts presented.

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

	2009	2008
Loss attributable to ordinary equity holders of the Company from the discontinued operation	**($4,081,000)**	($16,315,000)
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**384,349,468**	384,349,468

The major classes of assets of Zhongshan Ching Hing classified as assets classified as held for sale as at 31 December are as follows:

	2009 ***$'000***	2008 *$'000*
Plant and equipment:		
Carrying amount at 1 January	**15,444**	—
Transfer from property, plant and machinery *(note 15)*	**—**	15,444
Impairment loss	**(4,081)**	—
Exchange realignment	**20**	—
Carrying amount at 31 December	**11,383**	15,444

14. 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 year attributable to owners of the Company, and the number of ordinary shares in issue during the year.

The calculation of diluted earnings per share amounts is based on the loss for the year attributable to owners of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2009 and 2008 in respect of a dilution as the impact of share options outstanding had an anti-dilutive effect on basic loss per share amounts presented.

The calculations of basic loss per share are based on:

	2009 **$'000**	*2008* *$'000*
Loss		
Loss attributable to owners of the Company, used in the basic loss per share calculation:		
From continuing operations	**(9,018)**	(27,847)
From discontinued operation	**(4,081)**	(16,315)
Loss attributable to owners of the Company	**(13,099)**	(44,162)
Attributable to:		
Continuing operations	**(2.35 cents)**	(7.25 cents)
Discontinued operation	**(1.06 cents)**	(4.24 cents)
	(3.41 cents)	(11.49 cents)

	Number of shares	
	2009	2008
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**384,349,468**	384,349,468

15. PROPERTY, PLANT AND EQUIPMENT

	Group							
	Construction in progress $'000	Buildings outside Hong Kong $'000	Buildings in Hong Kong $'000	Leasehold improve-ments $'000	Plant and machinery $'000	Furniture, fixtures and office equipment $'000	Motor vehicles $'000	Total $'000
31 December 2009								
At 31 December 2008 and at 1 January 2009:								
Cost or valuation	–	–	454	1,727	–	4,107	3,780	10,068
Accumulated depreciation	–	–	(153)	(763)	–	(3,797)	(1,895)	(6,608)
Net carrying amount	–	–	301	964	–	310	1,885	3,460
At 1 January 2009, net of accumulated depreciation	–	–	301	964	–	310	1,885	3,460
Additions	–	–	–	–	–	141	–	141
Depreciation provided during the year	–	–	(9)	(84)	–	(121)	(1,017)	(1,231)
At 31 December 2009, net of accumulated depreciation	–	–	292	880	–	330	868	2,370
At 31 December 2009:								
Cost or valuation	–	–	454	1,727	–	4,238	3,780	10,199
Accumulated depreciation	–	–	(162)	(847)	–	(3,908)	(2,912)	(7,829)
Net carrying amount	–	–	292	880	–	330	868	2,370
Analysis of cost or valuation:								
At cost	–	–	454	1,727	–	4,238	3,780	10,199
At valuation	–	–	–	–	–	–	–	–
	–	–	454	1,727	–	4,238	3,780	10,199

15. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

	Group							
	Construction in progress *$'000*	Buildings outside Hong Kong *$'000*	Buildings in Hong Kong *$'000*	Leasehold improve-ments *$'000*	Plant and machinery *$'000*	Furniture, fixtures and office equipment *$'000*	Motor vehicles *$'000*	Total *$'000*
31 December 2008								
At 31 December 2007 and at 1 January 2008:								
Cost or valuation	—	30,161	454	9,233	127,505	6,276	6,046	179,675
Accumulated depreciation	—	(3,199)	(142)	(3,872)	(108,512)	(5,922)	(3,810)	(125,457)
Net carrying amount	—	26,962	312	5,361	18,993	354	2,236	54,218
At 1 January 2008, net of accumulated depreciation	—	26,962	312	5,361	18,993	354	2,236	54,218
Additions	68	—	—	—	134	112	760	1,074
Transfer to plant and machinery	(68)	—	—	—	68	—	—	—
Disposals	—	—	—	(2,459)	(1,738)	(39)	(211)	(4,447)
Transfer to assets classified as held for sale *(note 13)*	—	—	—	—	(15,444)	—	—	(15,444)
Depreciation provided during the year	—	(978)	(11)	(256)	(3,145)	(119)	(914)	(5,423)
Revaluation	—	(13,708)	—	—	—	—	—	(13,708)
Exchange realignment	—	1,767	—	150	1,132	2	14	3,065
Transfer to investment properties	—	(14,043)	—	(1,832)	—	—	—	(15,875)
At 31 December 2008, net of accumulated depreciation	—	—	301	964	—	310	1,885	3,460
At 31 December 2008:								
Cost or valuation	—	—	454	1,727	—	4,107	3,780	10,068
Accumulated depreciation	—	—	(153)	(763)	—	(3,797)	(1,895)	(6,608)
Net carrying amount	—	—	301	964	—	310	1,885	3,460
Analysis of cost or valuation:								
At cost	—	—	454	1,727	—	4,107	3,780	10,068
At valuation	—	—	—	—	—	—	—	—
	—	—	454	1,727	—	4,107	3,780	10,068

15. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

At 31 December 2009, the net book value of property, plant and equipment held by the Group under finance leases amounted to $394,000 (2008: $1,199,000).

16. INVESTMENT PROPERTIES

	Group	
	2009	2008
	$'000	*$'000*
Carrying amount at 1 January	**57,802**	8,469
Transfer from:		
Buildings outside Hong Kong	**—**	14,043
Leasehold improvement	**—**	1,832
Prepaid lease payments	**—**	34,017
Net gain/(loss) from fair value adjustment	**827**	(1,007)
Exchange realignment	**91**	448
Carrying amount at 31 December	**58,720**	57,802

The Group's investment properties are situated outside Hong Kong and are held under the following lease terms:

	2009	2008
	$'000	*$'000*
Long term leases	**7,700**	52,821
Medium term leases	**51,020**	4,981
	58,720	57,802

The Group's investment properties were revalued on 31 December 2009 by Asset Appraisal Limited, independent professionally qualified valuers, at $58,720,000 on an open market, existing use basis.

17. INVESTMENTS IN SUBSIDIARIES

	Company	
	2009	2008
	$'000	*$'000*
Unlisted shares, at cost	**126,626**	126,626
Less: Impairment	**(106,000)**	(100,000)
	20,626	26,626
Due from subsidiaries	**72,291**	72,604
Less: Impairment	**(38,000)**	(38,000)
	34,291	34,604
Due to a subsidiary	**(9)**	(9)
	54,908	61,221

The amounts due from subsidiaries are unsecured, non-interest bearing and in substance represents the Company's investments in subsidiaries in the form of quasi-equity loans.

The amount due to the subsidiary is unsecured, non-interest bearing and no fixed terms of repayment.

(Expressed in Hong Kong dollars unless otherwise stated)

17. INVESTMENTS IN SUBSIDIARIES *(CONTINUED)*

At 31 December 2009, the Company held interests in the following subsidiaries:

Name	Country/place of incorporation/ establishment	Principal activities and place of operation	Paid up capital	Interest held
Held directly:				
Ching Hing (BVI) Limited*	The British Virgins Islands	Investment holding in Hong Kong	$287,286	100%
Held indirectly:				
Ching Hing Weaving Dyeing & Printing Factory Limited	Hong Kong	Sale of fabrics in Hong Kong	$2 (ordinary shares) and $55,000,000 (non-voting deferred shares)	100%
Zhongshan Ching Hing Weaving Factory Limited*#^	The PRC	Sale of fabrics in the PRC	US$9,500,000	100%
Ching On Textiles Limited	Hong Kong	Dormant	$1,010,001	100%
Ching Fong Textiles Co. Ltd.	Hong Kong	Sale of fabrics in Hong Kong	$10,000	65%
Yiutung Fashion Co. Ltd.	Hong Kong	Investment holding	$15,001	100%
Zhongshan Yiutung Clothing Manufacturing Co. Limited*#^	The PRC	Dormant	US$500,000	100%
South Field (Pacific) Limited	Hong Kong	Sale of garments and accessories	$1,000,001	56%
Huge Victory Management Limited*	Samoa	Property holding	US$3	100%

17. INVESTMENTS IN SUBSIDIARIES *(CONTINUED)*

Name	Country/place of incorporation/ establishment	Principal activities and place of operation	Paid up capital	Interest held
Held indirectly: *(continued)*				
Glamour International Limited*	Samoa	Investment holding	US$3	100%
Alpha Textile International Limited	Hong Kong	Sale of fabrics	$10,000	65%
Ching Hing Weaving (International) Limited	Hong Kong	Investment holding	$2	100%
Ching Hing (Holdings) Investment Limited	Hong Kong	Investment holding	$10,000	100%
On Hing Weaving Factory Limited	Hong Kong	Dormant	$10,000	100%
Onlink Textiles Limited	Hong Kong	Sale of fabrics and garments	$10,000	70%
Calvin Textiles Limited	Hong Kong	Sale of fabrics	$10,000	100%
Mark Joy International Limited	Hong Kong	Dormant	$10	56%
Shenzhen Jun Di Fashion Design Company Limited*#^	The PRC	Dormant	$8,350,000	56%
Zhongshan City Hong An Clothing Trading Company Limited*#^	The PRC	Sale of fabrics	RMB660,000	100%

* Ascenda Cachet CPA Limited (formerly Cachet Certified Public Accountants Limited) were not the statutory auditors.

\# The English names of these subsidiaries are directly translated from their Chinese names as no English names have been registered.

^ These subsidiaries are wholly-owned foreign enterprises in the PRC.

18. AVAILABLE-FOR-SALE FINANCIAL INVESTMENT

	Group	
	2009	2008
	$'000	*$'000*
Club membership	**590**	590

19. TRADE AND BILLS RECEIVABLES

	Group	
	2009	2008
	$'000	*$'000*
Trade and bills receivables	**21,039**	39,987
Impairment	**(6,259)**	(7,177)
	14,780	32,810

Sale of fabrics and processing of fabrics are with credit terms of 45 days whereas trading of garments and accessories are with credit terms of 120 days. The Group has a defined credit policy and it varies with the financial strength of individual customers. Trading of garments and accessories are mostly covered by letter of credits. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

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

	Group	
	2009	2008
	$'000	*$'000*
Current	**7,317**	20,341
31-60 days	**5,039**	8,042
61-90 days	**767**	1,427
Over 90 days	**1,657**	3,000
	14,780	32,810

At the end of reporting period, 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:

	Group	
	2009	2008
	$'000	*$'000*
At 1 January	**7,177**	5,959
Impairment losses recognised	**471**	1,914
Impairment losses written back	**(1,389)**	(696)
At 31 December	**6,259**	7,177

Included in the above provision for impairment of trade and bills receivables is a provision for individually impaired trade and bills receivables of approximately $6,025,000 (2008: $6,088,000) with a carrying amount before provision of approximately $6,025,000 (2008: $6,088,000).

19. TRADE AND BILLS RECEIVABLES *(CONTINUED)*

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

	Group	
	2009	2008
	$'000	*$'000*
Neither past due nor impaired	**11,641**	18,265
Less than 1 month past due	**897**	7,394
1 to 3 months past due	**787**	3,862
Over 3 months past due	**1,455**	3,289
	14,780	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.

20. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	Group		Company	
	2009	2008	**2009**	2008
	$'000	*$'000*	***$'000***	*$'000*
Other receivables	**1,476**	1,398	**72**	46
Impairment	**(1,288)**	(1,278)	**—**	(1)
	188	120	**72**	45
Prepayments and deposits	**1,169**	1,117	**81**	83
	1,357	1,237	**153**	128

21. CASH AND CASH EQUIVALENTS — GROUP

		Group		Company	
		2009	2008	**2009**	2008
	Notes	***$'000***	*$'000*	***$'000***	*$'000*
Cash and bank balances		**18,171**	14,698	**155**	46
Time deposits		**25,226**	23,427	**—**	—
		43,397	38,125	**155**	46
Less: Pledged time deposits for bank facilities	*33*	**(15,866)**	(19,527)	**—**	—
Cash and cash equivalents		**27,531**	18,598	**155**	46

At 31 December 2009, approximately $1,571,000 (2008: $2,318,000) of the Group's cash and bank balances was denominated in Renminbi and kept in the PRC. The conversion of these Renminbi denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

22. BANK BORROWINGS (SECURED)

	Group	
	2009	2008
	$'000	*$'000*
Bank overdrafts, secured	**4,199**	6,332
Interest-bearing bank borrowings, secured	**14,588**	11,776
Trust receipt loans, secured	**6,738**	9,503
Total bank borrowings — repayable within one year	**25,525**	27,611

Bank borrowings bore annual interest ranging from 3.25% to 8.5% (2008: from 3.25% to 8.5%).

Bank loans of approximately $11,900,000 (2008: $8,000,000) at fixed interest rates expose the Group to fair value interest rate risk. Other bank borrowings of approximately $13,625,000 (2008: $19,611,000) at floating rates expose the Group to cash flow interest rate risk.

22. BANK BORROWINGS (SECURED) *(CONTINUED)*

The carrying amounts of the Group's borrowings are denominated in the following currencies:

As at 31 December 2009	Hong Kong dollar $'000	United States dollar $'000	Renminbi $'000	Total $'000
Bank overdrafts, secured	4,199	—	—	4,199
Interest-bearing bank borrowings, secured	12,354	2,234	—	14,588
Trust receipt loans, secured	108	6,630	—	6,738
	16,661	8,864	—	25,525

As at 31 December 2008	Hong Kong dollar $'000	United States dollar $'000	Renminbi $'000	Total $'000
Bank overdrafts, secured	6,332	—	—	6,332
Interest-bearing bank borrowings, secured	8,000	3,776	—	11,776
Trust receipt loans, secured	—	9,503	—	9,503
	14,332	13,279	—	27,611

23. TRADE AND BILLS PAYABLES

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

	Group	
	2009 $'000	2008 $'000
Current	7,179	9,745
31-60 days	2,257	5,650
61-90 days	1,065	1,437
Over 90 days	8,939	9,093
	19,440	25,925

24. DUE TO DIRECTORS

	Interest rate	Group 2009 $'000	Group 2008 $'000	Company 2009 $'000	Company 2008 $'000
Directors:					
Mr. Yiu Ching On	Nil	**1,000**	—	**1,000**	—
Mr. Yiu Kwok Ming, Tommy					
— Interest-free	Nil	**1,200**	1,200	**200**	200
— Interest-bearing	1% over Hong Kong prime rate	**2,000**	—	**—**	—
		4,200	1,200	**1,200**	200

The amounts due to directors in the consolidated statement of financial position are unsecured and have no fixed terms of repayment, of which HK$2,200,000 is interest-free and HK$2,000,000 bears interest at 1% over Hong Kong Prime rate.

The amounts due to the directors in the Company's statement of financial position are unsecured, interest-free and have no fixed terms of repayment.

The directors have agreed not to demand repayment of amounts due to them until the Group is in a position to do so.

25. DUE TO A SHAREHOLDER

The amount due to a shareholder, Ms. Wong Kai Chun is unsecured, interest bearing at 4.75% (2008: 4.5% p.a. to 6.25% p.a) and has no fixed terms of repayment. The shareholder has agreed not to demand repayment of amount due to her until the Group is in a position to do so.

26. DUE TO A RELATED COMPANY

	Group 2009 $'000	Group 2008 $'000
Amount due to a related company repayable:		
Within one year	**779**	733
In the second year	**827**	779
In the third to fifth years inclusive	**2,798**	2,637
Beyond five years	**4,073**	5,062
	8,477	9,211
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(779)**	(733)
Amount due for settlement after 12 months	**7,698**	8,478

26. DUE TO A RELATED COMPANY *(CONTINUED)*

The amount due to Handsome Development Limited, a company beneficially owned by Mr. Yiu Ching On, a director of the Company is unsecured, bears interest at 1% over Hong Kong prime rate and is repayable by 120 monthly instalments commencing on 18 August 2008.

27. FINANCE LEASE PAYABLES

At 31 December 2009, the total future minimum lease payments under finance and their present values were as follows:

	Group			
	Minimum lease payments		**Present value of minimum lease payments**	
	2009 *$'000*	2008 *$'000*	**2009 *$'000***	2008 *$'000*
Amounts payable under finance lease:				
Within one year	**334**	363	**281**	308
In the second year	**323**	332	**270**	279
In the third to fifth years inclusive	**136**	461	**112**	384
Total minimum finance lease payments	**793**	1,156	**663**	971
Less: Future finance charges	**(130)**	(185)		
Present value of lease obligations	**663**	971		
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(281)**	(308)		
Amount due for settlement after 12 months	**382**	663		

The Group leases 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.

28. SHARE CAPITAL

	Authorised ordinary shares of $0.05 each	
	No. of shares	*$'000*
At 31 December 2008 and 31 December 2009	5,000,000,000	250,000

	Issued and fully paid ordinary shares of $0.05 each	
	No. of shares	*$'000*
At 31 December 2008 and 31 December 2009	384,349,468	19,217

28. SHARE CAPITAL *(CONTINUED)*

Subsequent to 31 December 2009, pursuant to the ordinary resolution passed on 17 March 2010, the authorised share capital had been increased from $250,000,000 to $1,500,000,000 by the creation of an additional 25,000,000,000 shares of $0.05 each ranking pari passu in all respects with the existing shares of the Company.

Subsequent to 31 December 2009, the Company had issued a circular dated 12 April 2010 in relation to the subdivision of the issued and unissued shares of the Company (the "Share Subdivision") into 5 new shares of $0.01 each (the "Subdivided Shares") for 1 existing share of $0.05 each. Subject to the approval and completion of the Share Subdivision in May 2010, the authorised share capital and the issued share capital will be 150,000,000,000 Subdivided Shares and 4,171,747,340 Subdivided Shares, respectively, of $0.01 each.

Subsequent to 31 December 2009, up to the date of the report, 450,000,000 shares had been issued and allotted upon the conversion of the convertible bonds. Further details of the convertible bonds are set out in note 37 to the financial statements.

29. RESERVES

(a) Group

(i) Share premium

The share premium account is available for distribution to shareholders under the Companies Act 1981 of Bermuda (as amended) and no distribution may be paid to shareholders out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the Company shall be able to pay its debts as they fall due in the ordinary course of business.

(ii) Statutory surplus reserve

In accordance with the PRC Companies Law, the Company's subsidiaries in the PRC were required to transfer 10% of their profit after tax, as determined in accordance with accounting standards and regulations of the PRC, to the statutory surplus reserve (until such reserve reaches 50% of the registered capital of the respective companies). The statutory surplus reserve is non-distributable. According to the relevant PRC regulations, statutory surplus reserve can be used to make up losses or to increase share capital. Except for the reduction of losses incurred, other usage should not result in the statutory surplus reserve falling below 25% of the registered capital.

(iii) Capital reserves

Capital reserves represent the amount of a subsidiary's share capital converted into non-voting deferred shares in pursuant to the Group reorganisation in 1999 in preparation for the listing of the Company's shares on the Stock Exchange.

29. RESERVES *(CONTINUED)*

(b) Company

	Share premium $'000 (Note 29(a)(i))	Contributed surplus $'000	Employee share-option reserves $'000	Accumulated losses $'000	Total $'000
At 1 January 2008	71,148	123,754	192	(136,174)	58,920
Lapse of share options granted	—	—	(12)	12	—
Equity settled share-based transactions	—	—	611	—	611
Loss for the year	—	—	—	(18,172)	(18,172)
At 31 December 2008	71,148	123,754	791	(154,334)	41,359
Equity settled share-based transactions	—	—	945	—	945
Loss for the year	—	—	—	(7,958)	(7,958)
At 31 December 2009	71,148	123,754	1,736	(162,292)	34,346

Contributed surplus

The contributed surplus of the Company represents the difference between the underlying net assets of the subsidiaries acquired by the Company and the nominal value of the shares issued by the Company at the time of the Group reorganisation. Under the Companies Act 1981 of Bermuda (as amended), contributed surplus is available for distribution to shareholders. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus if (a) it is, or would after the payment, be unable to pay its liabilities as they become due; or (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium financial statements.

30. 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.

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 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. As at 31 December 2009, the total number of shares available for issue under the 2002 Share Option Scheme was 30,750,946 (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.

The subscription price will be determined by the Company's Board of Directors, and will be the highest of (i) the closing price of the ordinary shares as stated in daily quotation sheet issued by the Stock Exchange on the date of grant, which must be a trading day, (ii) the average closing price of the ordinary shares as stated in daily quotation sheet issued by the Stock Exchange for the five trading days immediately preceding the date of grant, and (iii) the nominal value of an ordinary share.

(Expressed in Hong Kong dollars unless otherwise stated)

30. SHARE-BASED PAYMENT TRANSACTIONS *(CONTINUED)*

Equity-settled share option scheme of the Company *(continued)*

At 31 December 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 year	Lapsed during the year	At 31 December 2009	Exercise period	Exercise price per share	Share price on the grant date
							$	$
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			

(Expressed in Hong Kong dollars unless otherwise stated)

30. 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	**$0.42**	$0.04
Price per share at date of grant	**$0.50**	$0.07
Exercise price per share	**$0.50**	$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

The expected life of the options is not necessarily indicative of the exercise patterns that may occur. The expected volatility (standard deviation) reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 22,084,000 share options outstanding under the 2002 Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 22,084,000 additional ordinary shares of the Company and additional share capital of $1,104,000 and share premium of $3,746,000 (before issue expenses).

31. DEFERRED TAX

At 31 December 2009, the Group has tax losses of $233,275,000 (2008: $227,487,000) available to offset future profits. No deferred tax asset has been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the losses can be utilised. Such losses may be carried forward indefinitely. The effect of temporary differences on depreciable assets is not material.

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of loss before tax to net cash flows from/(used in) operating activities

	2009	2008
	$'000	*$'000*
Loss before tax		
— from continuing operations	**(7,341)**	(24,862)
— from discontinued operation	**(4,081)**	(16,709)
Adjustments for:		
Interest income	**(292)**	(886)
Depreciation	**1,231**	5,423
Impairment of plant and equipment	**—**	4,212
Gain on disposal of items of property, plant and equipment	**—**	(98)
Interest expenses	**2,198**	2,997
Write-off of deposit paid	**—**	2,669
Finance lease charges	**56**	132
Fair value (gain)/loss on investment properties	**(827)**	1,007
Impairment of assets classified as held for sale	**4,081**	—
Share-based payment	**945**	611
	(4,030)	(25,504)
Decrease in inventories	**—**	22,496
Decrease in trade and bills receivables, other receivables, prepayments and deposits	**17,917**	19,142
Decrease in trade and bills payables, other payables and accruals	**(6,342)**	(21,533)
Decrease in VAT and other tax payables	**(52)**	(1,768)
Effect of foreign exchange rate changes	**225**	(435)
Net cash generated from/(used in) operations	**7,718**	(7,602)
PRC tax paid	**—**	—
Hong Kong profits tax paid	**(218)**	(1,142)
Interest paid	**(2,198)**	(2,997)
Finance lease charges paid	**(56)**	(132)
Net cash flows from/(used in) operating activities	**5,246**	(11,873)

33. BANKING FACILITIES

At 31 December 2009, the Group's credit facilities amounting to $128,760,000 (2008: $136,060,000) granted by banks and a credit company were secured by the following:

(a) guarantees given by the Company and the minority shareholders of subsidiaries for $111,898,000 (2008: $116,208,000) and $83,712,000 (2008: $85,792,000), respectively;

(b) charges over bank deposits of the Group *(note 21)*; and

(c) personal guarantees of $12,000,000 (2008: $12,000,000) given by a director of the Company.

34. CONTINGENT LIABILITIES

At 31 December 2009, the Company had given guarantees of approximately $111,898,000 (2008: $116,208,000) to certain banks in respect of banking facilities granted to certain subsidiaries.

Counter-indemnities in favour of the Company at an aggregate amount of $23,350,000 (2008: $24,400,000) were given by minority shareholders of subsidiaries in respect of certain guarantees given by the Company for the Group's banking facilities.

35. COMMITMENTS

Operating lease commitments

As lessee

At 31 December 2009, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	2009	2008
	$'000	*$'000*
Within one year	**—**	723
In the second to fifth years inclusive	**—**	—
	—	723

36. RELATED PARTY TRANSACTIONS

(a) In addition to notes 24, 25, 26 and 33 to the financial statements, during the year, the Group entered into the following material transactions with its related parties in the normal course of business:

	2009	2008
	$'000	*$'000*
Rental paid to a related company *(note (i))*	**840**	840
Interest paid to a shareholder *(note (ii))*	**284**	333
Interest paid to a director *(note (iii))*	**21**	—
Interest paid to a related company *(note (iv))*	**562**	243

Notes:

i. Mr. Yiu Ching On, an executive director of the Company, beneficially owns Gaport Limited, the related company. This transaction was conducted in accordance with the terms agreed between the Group and the related company.

ii. The shareholder is Ms. Wong Kai Chun, the spouse of Mr. Yiu Ching On (note 25).

iii. The director is Mr. Yiu Kwok Ming, Tommy (note 24).

iv. Mr. Yiu Ching On, an executive director of the Company, beneficially owns the related company (note 26).

(b) Members of key management during the year comprised only four (2008: four) executive directors whose remuneration is set out in note 10a to the financial statements.

(c) The balances with related parties as at the end of reporting period are detailed in notes 24, 25 and 26 to the financial statements.

37. EVENTS AFTER THE REPORTING PERIOD

Acquisition of subsidiary

Pursuant to the sale and purchase agreement (the "Sale and Purchase Agreement") entered between Ching Hing (Holdings) Investments Limited ("Ching Hing Investments", an indirect wholly-owned subsidiary of the Company) and the independent third parties (the "Vendors") dated 3 November 2009 and the supplemental agreement dated 1 December 2009, Ching Hing Investments agreed to purchase and the Vendors agreed to sell the entire issued shares of Greater China Mining Resources Limited ("Greater China", a company incorporated in the British Virgin Islands with limited liability and wholly-owned by the Vendors) at a consideration of $1,680,000,000 payable by convertible bonds. At 31 December 2009, the acquisition of Greater China (the "Acquisition") was still in progress. Further details of the Acquisition were set out in a circular of the Company dated 1 March 2010 and the Acquisition was approved by the shareholders of the Company in a special general meeting on 17 March 2010. The Acquisition had been completed on 30 March 2010.

With reference to the terms and conditions of the Sale and Purchase Agreement, the convertible bonds carry interest at 2% per annum and are convertible into shares at any time after the completion of the Acquisition up to, and including, the business day (excluding Saturday and Sunday) falling on the third anniversary from the issue date of the convertible bonds at the initial conversion price of $0.22 per share.

Up to the date of the report, there were 450,000,000 ordinary shares issued upon the conversion of the convertible bonds.

38. FINANCIAL INSTRUMENTS BY CATEGORY

Group

Financial assets

	Available-for-sale financial investment		Loan and receivable		Total	
	2009	2008	**2009**	2008	**2009**	2008
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Available-for-sale financial investment	**590**	590	**—**	—	**590**	590
Trade and bills receivables	**—**	—	**14,780**	32,810	**14,780**	32,810
Other receivables, prepayments and deposits	**—**	—	**1,357**	1,237	**1,357**	1,237
Pledged bank deposits	**—**	—	**15,866**	19,527	**15,866**	19,527
Cash and cash equivalents	**—**	—	**27,531**	18,598	**27,531**	18,598
	590	590	**59,534**	72,172	**60,124**	72,762

38. FINANCIAL INSTRUMENTS BY CATEGORY *(CONTINUED)*

Financial liabilities

	Financial liabilities at amortised cost	
	2009	2008
	$'000	*$'000*
Bank overdrafts, secured	**4,199**	6,332
Interest bearing bank borrowings, secured	**14,588**	11,776
Trust receipt loans, secured	**6,738**	9,503
Trade and bills payables	**19,440**	25,925
Other payables and accruals	**11,169**	11,020
Due to directors	**4,200**	1,200
Due to a shareholder	**6,013**	6,013
Due to a related company	**8,477**	9,211
Finance lease payables	**663**	971
	75,487	81,951

Company

Financial assets

	Loan and receivable	
	2009	2008
	$'000	*$'000*
Other receivables, prepayments and deposits	**153**	128
Cash and cash equivalents	**155**	46
	308	174

Financial liabilities

	Financial liabilities at amortised cost	
	2009	2008
	$'000	*$'000*
Other payables and accruals	**453**	619
Due to directors	**1,200**	200
	1,653	819

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, comprise bank and other loans, trust receipt loans and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade payables, which arise directly from its operations.

It is, and has been, throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's trust receipt loans with a floating interest rate.

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

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity*
	%	*$'000*	*$'000*
2009			
Hong Kong dollar	**1**	**(309)**	**—**
	(1)	**309**	**—**
2008			
Hong Kong dollar	1	(360)	—
	(1)	360	—

* Excluding accumulated losses

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

Foreign currency risk

The Group has transactional currency exposures as the sales and purchases of the Group were mainly transacted in Renminbi (RMB), United States Dollars ("USD") and Hong Kong dollar ("HKD"). Approximately 78.3% (2008: 72.2%) of the Group's sales are denominated in currencies other than the functional currency of the operating units marking the sales, and almost 89.7% (2008: 70.2%) of costs are denominated in currencies other than the units' functional currency.

The Group does not have significant foreign currency risk arising from future commercial transactions and recognised financial assets and liabilities since almost all of them are denominated in USD and HKD, of which the exchange rate of USD was quite stable during the years ended 31 December 2008 and 2009.

Sensitively at the end of reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's net profit (due to changes in the fair value of monetary assets and liabilities):

	Increase/ (decrease) *%*	**Increase/ (decrease) in profit before tax** *$'000*
2009		
If Hong Kong dollar weakens against RMB	**5.0**	**98**
If Hong Kong dollar strengthens against RMB	**(5.0)**	**(98)**
If Hong Kong dollar weakens against USD	**5.0**	**(444)**
If Hong Kong dollar strengthens against USD	**(5.0)**	**444**
2008		
If Hong Kong dollar weakens against RMB	5.0	(183)
If Hong Kong dollar strengthens against RMB	(5.0)	183
If Hong Kong dollar weakens against USD	5.0	(469)
If Hong Kong dollar strengthens against USD	(5.0)	469

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the management.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, available-for-sale investment and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group.

Liquidity risk

The maturity profile of the Group's financial liabilities as at the end of reporting period, based on the contracted undiscounted payments, was as follows:

	On demand *$'000*	Less than 3 months *$'000*	3 to less than 12 months *$'000*	1 to 5 years *$'000*	Over 5 years *$'000*	Total *$'000*
2009						
Bank overdrafts, secured	**4,199**	**—**	**—**	**—**	**—**	**4,199**
Interest bearing bank borrowings, secured	**—**	**14,588**	**—**	**—**	**—**	**14,588**
Trust receipt loans, secured	**—**	**6,738**	**—**	**—**	**—**	**6,738**
Trade and bills payables	**—**	**19,440**	**—**	**—**	**—**	**19,440**
Other payables and accruals	**—**	**11,169**	**—**	**—**	**—**	**11,169**
Due to directors	**4,200**	**—**	**—**	**—**	**—**	**4,200**
Due to a shareholder	**6,013**	**—**	**—**	**—**	**—**	**6,013**
Due to a related company	**—**	**190**	**589**	**3,625**	**4,073**	**8,477**
Finance lease payables	**—**	**72**	**209**	**382**	**—**	**663**
	14,412	**52,197**	**798**	**4,007**	**4,073**	**75,487**
2008						
Bank overdrafts, secured	6,332	—	—	—	—	6,332
Interest bearing bank borrowings, secured	—	11,776	—	—	—	11,776
Trust receipt loans, secured	—	9,503	—	—	—	9,503
Trade and bills payables	—	16,832	9,093	—	—	25,925
Other payables and accruals	—	11,020	—	—	—	11,020
Due to directors	1,200	—	—	—	—	1,200
Due to a shareholder	6,013	—	—	—	—	6,013
Due to a related company	—	179	554	3,416	5,062	9,211
Finance lease payables	—	91	217	663	—	971
	13,545	49,401	9,864	4,079	5,062	81,951

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

Capital management

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

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes bank overdrafts, interest bearing bank borrowings, trust receipt loans, trade and bills payables, other payables and accruals, VAT and other tax payables, due to directors, due to a shareholder, due to a related company, finance lease payables, tax payable, less pledged bank deposits and cash and cash equivalents. Capital includes equity attributable to owners of the Company.

	Group	
	2009	2008
	$'000	*$'000*
The gearing ratios as at the end of reporting periods were as follows:		
Bank overdrafts, secured	**4,199**	6,332
Interest bearing bank borrowings, secured	**14,588**	11,776
Trust receipt loans, secured	**6,738**	9,503
Trade and bills payables	**19,440**	25,925
Other payables and accruals	**11,169**	11,020
VAT and other tax payables	**—**	27
Due to directors	**4,200**	1,200
Due to a shareholder	**6,013**	6,013
Due to a related company	**8,477**	9,211
Finance lease payables	**663**	971
Tax payable	**3,176**	2,879
Less:		
Pledged bank deposits	**(15,866)**	(19,527)
Cash and cash equivalents	**(27,531)**	(18,598)
Net debt	**35,266**	46,732
Total capital	**49,166**	60,980
Capital and net debt	**84,432**	107,712
Gearing ratio	**42%**	43%

40. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified and restated to conform with the current year's presentation.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 April 2010.

INVESTMENT PROPERTIES

Location	Use	Tenure	Attributable interest of the Group
A factory complex at 23 Zheng Xing Road Nantou Town Zhongshan Guangdong Province The PRC	Industrial	Medium-lease term	100%
A development site at Tongle Road Huaguang Management Area Nantou Town Zhongshan Guangdong Province The PRC	Commercial/ residential	Long-lease term	100%
Unit 16G Hua Min Building Renmin South Road Luohu District Shenzhen Guangdong Province The PRC	Office/ residential	Medium-lease term	100%

A summary of the results and of the assets, liabilities and minority interest of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below. The income statement amounts for each year in the five year financial summary have been re-presented as if the operation discontinued during the previous year had been discontinued at the beginning of the prior years.

	2009	2008	2007	2006	2005
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
			Restated	Restated	Restated
RESULTS					
Continuing operations					
Revenue	**220,320**	287,021	257,532	211,569	181,212
(Loss)/profit before tax	**(7,341)**	(24,862)	7,118	8,780	4,873
Income tax expense	**(540)**	(2,135)	(1,230)	(245)	(662)
(Loss)/profit for the year from continuing operations	**(7,881)**	(26,997)	5,888	8,535	4,211
Discontinued operation					
Loss for the year from discontinued operation	**(4,081)**	(16,315)	(12,758)	(6,921)	(27,624)
(Loss)/profit for the year	**(11,962)**	(43,312)	(6,870)	1,614	(23,413)
ASSETS, LIABILITIES AND MINORITY INTERESTS					
Total assets	**132,597**	149,468	204,514	169,716	156,389
Total liabilities	**(78,663)**	(84,857)	(116,093)	(98,724)	(87,058)
Minority Interests	**(4,768)**	(3,631)	(2,781)	(494)	(8)
	49,166	60,980	85,640	70,498	69,323