KAM HING INTERNATIONAL HOLDINGS LIMITED

錦 興 國 際 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 02307

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTOR

Mr. Lee Cheuk Yin, Dannis
(appointed on 16 September 2009)

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

COMPANY SECRETARY

Mr. Lei Heong Man, Ben

AUDITORS

Ernst & Young
Certified Public Accountants

REGISTERED OFFICE

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

COMPANY WEBSITE

www.kamhingintl.com

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Standard Chartered Bank (HK) Limited
Citic Ka Wah Bank Limited
China Construction Bank

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

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

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

STOCK CODE

The Stock Exchange of Hong Kong Limited: 02307
CUSIP Reference Number: G5213T101

FINANCIAL HIGHLIGHTS AND SUMMARY

KEY FINANCIAL DATA

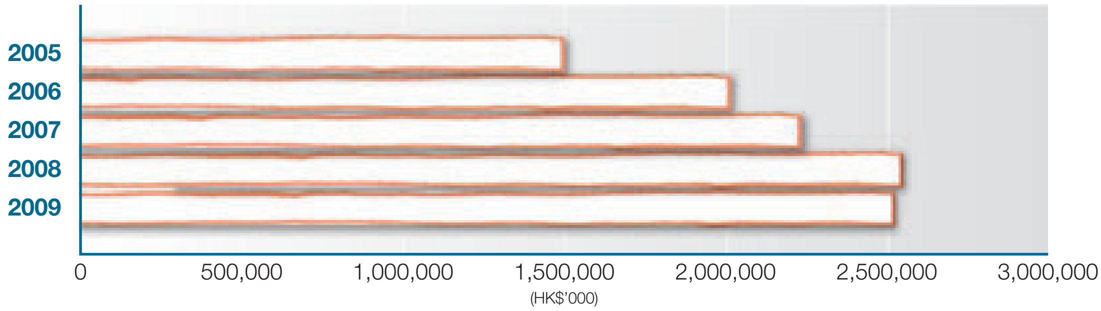
	Year ended/As at 31 December				
	2005 HK$'000	2006 HK$'000	2007 HK$'000	2008 HK$'000	**2009** **HK$'000**
Revenue	1,499,403	2,013,889	2,230,764	2,586,617	**2,523,245**
Profit before interest, tax, depreciation and amortisation ("EBITDA")	173,028	233,913	264,537	250,451	**258,380**
Profit before tax	90,262	121,806	127,535	91,656	**90,534**
Income tax expense	(11,312)	(20,659)	(17,617)	(11,015)	**(9,859)**
Profit attributable to ordinary equity holders of the Company	78,959	101,125	109,960	81,700	**83,115**
Dividends	19,840	25,600	27,698	–	**20,088**
Total assets	1,663,388	1,996,233	2,053,599	2,600,829	**2,940,425**
Total liabilities	(986,154)	(1,197,498)	(1,093,332)	(1,409,405)	**(1,452,828)**
Shareholders' funds	677,129	798,418	942,992	1,148,119	**1,447,252**

KEY FINANCIAL RATIOS

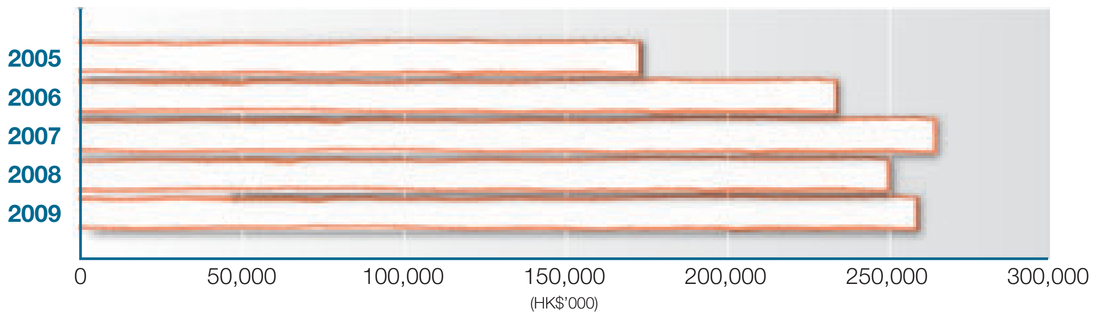
	Year ended/As at 31 December				
	2005 HK$'000	2006 HK$'000	2007 HK$'000	2008 HK$'000	**2009** **HK$'000**
Gross profit margin (%)	22.6%	19.7%	19.7%	18.6%	**17.5%**
Net profit margin (%)	5.3%	5.0%	4.9%	3.2%	**3.3%**
Current ratio (times)	1.4	1.0	1.4	1.1	**1.1**
Gearing ratio (net debt/capital and net debt) (%)	54.4%	55.3%	50.5%	51.7%	**41.3%**

FINANCIAL HIGHLIGHTS AND SUMMARY

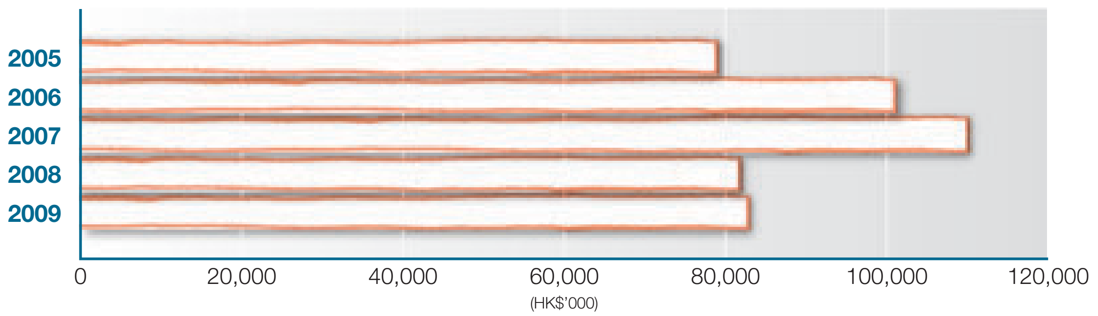
REVENUE



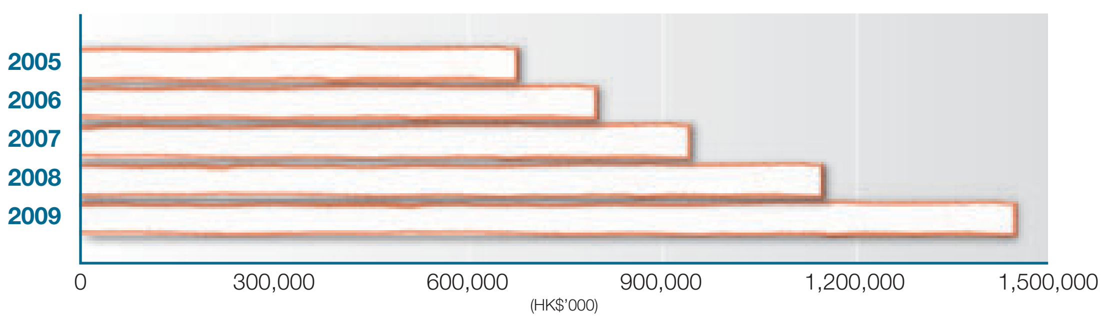
PROFIT BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION ("EBITDA")



PROFIT ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY



SHAREHOLDERS' FUNDS



CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (the "Board") of Kam Hing International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), it is my pleasure to present the consolidated results of the Group for the year ended 31 December 2009 (the "Year").

The Year was a difficult year as the unprecedented effects of the financial downturn continued to impinge on the overall performance of the textile and garment industry. Our overall revenue has slightly decreased by approximately 2.5% to HK$2,523.2 million. The decline is mainly attributable to low consumer confidence and discretionary spending, which prompted many customers to manage their inventory reserve and procurement orders in a very prudent manner.

In the midst of such stagnant market movements, the Company proactively took advantage of any rare opportunities that surfaced from the ruins. Being a major player in the business, the recent market consolidation as a result of the diminishing market size rendered new business prospects for us who remained. With the sheer scale size of the Group, we successfully gained the trust of many new clients, along with their orders. On the other hand, our existing clients continued to express their confidence in the capacity of our operations.

While fast market consolidation in effect cemented our leading status in the market, we will continue to seek every opportunity in the turbulence and actively look for new clients to further expand our business. In view of such potential growth, the Group established the Enping plant to launch production in 2009 and provided the Company with additional room to leverage and better accommodate the extra and new orders. These initiatives will improve our overall competitiveness by optimizing utilization and to deliver better, more efficient services to our customers.

NEW DEVELOPMENT

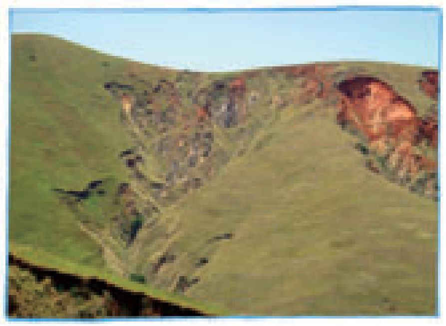
The Group continues to be active in looking for new business ventures to consistently broaden and enhance our horizon, competence and profitability. In response to the growing demand for iron and steel in the PRC, we joined forces with Wuhan Iron and Steel (Group) Company ("Wisco Group") and Guangdong Foreign Trade Group Co., Ltd ("Guangxin Group"), has successfully bid for the mineral exploration and exploitation rights in Soalala, Madagascar (the "Soalala Project"). Wisco Group is one of the largest top five iron and steel corporations in the PRC

CHAIRMAN'S STATEMENT

and Guangxin Group is the largest trading, export and import group in the Guangdong Province which is under the leadership of the People's Government of Guangdong Province. The strong partnership, with the combination of relevant industry expertise, technology and networking, is expected to deliver attractive returns in the long-run.

EARNINGS AND DIVIDEND

For the Year, the Group's gross profit decreased by 8.6% to HK$440,9 million but the net profit attributable to shareholders increased from HK$81.7 million to HK$83.1 million, representing an increase of 1.7%. The profit results were particularly encouraging as it reflected the combined efforts of our management team in keeping operating costs low and effective.



The Board has resolved to recommend the payment of a final dividend of HK2.5 cents (2008: Nil) per share in respect of the year ended 31 December 2009 to be payable to the shareholders whose names appear on the register of members of the Company on 8 June 2010. Subject to the approval by shareholders regarding the payment of the final dividend at the forthcoming annual general meeting of the Company, the proposed final dividend will be paid on or about 22 June 2010.

OUTLOOK

Whilst broadening our horizons through diversification into the mining industry, we will remain loyal and dedicated to our textile business, as this division possesses our core source of technical expertise and is the heart and soul of the Group's operations. As to make best use of the capacity utilization and productivity, we will drive for further growth in the core business by rigorous internal control, product enhancements, product mix improvement, as well as plans for geographical expansion.

CHAIRMAN'S STATEMENT

The Group will continuously focus on utilizing strong internal control to prepare itself for future protocols. The proactive stance in organizing strict cost control and cash flow management will be beneficial in the long-run as it will help the Group in prioritizing the allocation of cash resources in advance and maintaining sufficient reserves to prepare for any unexpected future credit crunch.

The Group's research and development division ("R&D") will carry on developing new high-end products to add onto the existing array of fabrics, so as to cover a greater spectrum of clientele needs and ground a future base for integration into other consumer sectors. The pursuit of excellent quality is the key objective in our R&D activities and we believe that the technology is one of our competitive advantages that makes the Company stand out from our peers.

We are also campaigning for a geographical expansion strategy to increase our product awareness and exposure in the People's Republic of China (the "PRC") and Asian markets, as we see high investment potential in these regions to manifest better returns. In addition, the opportunity will assist us in balancing our clientele base into an encompassing international portfolio.

In response to the sudden upsurge of abrupt and new orders, Enping is expected to operate in full capacity after its initial trial run. We plan to use this factory as a platform to optimize our order and production allocations among our production facilities. This strategy in return will provide the Group with a larger scale production thereby supporting continuous expansion.

Furthermore, in order to deploy and fully utilize the Company's cost and resources in the near future, we are currently considering a possible spin-off and separate listing of the garment division. The Stock Exchange has granted its preliminary approval to proceed with the proposition. Upon successful completion, the new business realignment will optimize management efficiency and open opportunities to develop purely in the garment industry at a larger scale.

During the Year and after the Year, the Company conducted two fund raising activities of approximately HK$200.9 million and one fund raising activity of approximately HK$64.9 million, respectively, mainly for the general working capital including but not limited to the Soalala project in Madagascar. The successful fund raisings gave encouragement to the Board and our management team as it reflected the market's confidence and positive reaction to the Group's future direction and development.

CHAIRMAN'S STATEMENT

In parallel with our textile commitments, we will continue to prepare and lay out a solid infrastructure for easy transition into the commencement phase of the mining business. Working hand-in-hand with our partners, we will secure all viable opportunities to ensure the successful completion of the Soalala Project in Madagascar in the most cost effective and efficient method possible.

In 2009, the turbulent environment tested the capacity and well-being of the Group. The Board believes that it will continue to be a challenging year ahead, but we also believe that the leading position of our textile and garment operations, commitment in the mining investment and strong core foundation will overcome any challenges that may come. We are confident and cautiously optimistic that the Group can continue to deliver substantial profit growth in the year ahead.

APPRECIATION

I would like to take this opportunity to thank our management team and employees for their hard work during such difficult times; their contribution is the key to the Group's success. In addition, I convey my deepest gratitude to our customers, business partners and shareholders for your continual confidence and support.

Tai Chin Chun
Chairman

Hong Kong, 26 April 2010

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS REVIEW

2009 was a challenging year for the global economy as the consequences of the financial downturn continue to prevail amongst different industry levels. The phenomenon has inevitably altered the behavior of consumers thus directly affecting the textile and garment industry. Amidst uncertainties, we acknowledged the opportunity to even out our investment risks by diversifying our operations into the mining industry, further expanding our business scope and corporate horizons. The management believes that the Group's dual-growth strategy will further broaden our sources of income and enable us the capacity to maximize our shareholders' value in the future.

As one of the leading manufacturers in the global textile market, the Group's core business is engaged in the manufacturing and selling of knitted fabrics, as well as garment production for branded casual wear supplied to major retail chain stores across the globe. Our textile manufacturing sites in the PRC are supported with self-sufficient amenities including power, water and sewage treatment plants to ensure non-stop production capability and low overall production costs.

The vertical integration of our operations is crucial to our development in the competitive textile and garment industry, as this sophisticated business model creates an efficient and flexible one-stop supply chain that brings value-added services to our customers. To cope with potential growth contingencies, the Group has further extended its manufacturing footprint in the PRC with the establishment of another textile factory in Enping in 2008. The commencement of operation in the Enping facility from the first quarter of 2009 will enable us to further enhance productivity, optimize utilization and translate the efficiency of our services to customers in the PRC and abroad.

During the Year, the Group continued to record satisfying results despite the predicament of the financial tsunami. Our overall sales revenue has slightly decreased by approximately 2.5% to HK$2,523.2 million (2008: HK$2,586.6 million). Gross profit has decreased by approximately 8.6% to HK$440.9 million (2008: HK$482.3 million) whilst net profit attributable to shareholders has increased by approximately 1.7% to HK$83.1 million (2008: HK$81.7 million).

MANAGEMENT DISCUSSION & ANALYSIS

In spite of such stagnant market movements, the Group maintained a revenue of approximately HK$2,523.2 million for the Year, representing a slight drop of 2.5% in comparison to the previous corresponding year. The decline is attributable to the effect of a diminished consumer market and unpredictable buying behavior. However, despite lower procurement orders and discretionary spending, the Group will benefit from the crisis in the long run as market consolidation created new business opportunities for large manufacturers like us. During the Year, we promptly responded to the sudden change in dynamics by bringing forth the Group's operational capacity in handling quick orders, ability to meet short delivery schedule and creditability in ensuring top-quality services. The Group's sheer scale size and good cash flow management helped weathered the credit crunch debacle and in return boosted sales quantities with new clients shifting orders to us due to our better reputation in service delivery. We also retained existing clients who continued to express their confidence in our Group's dedication on quality and service. Furthermore, the Group's new marketing office in Korea generated impressive growth in revenue of over 109.3% for the Year and the new influx of clientele revenue significantly lessened the negative sales impact from the financial crisis.

Gross profit margin for the Year has decreased to 17.5% from 18.6% in comparison to the previous year. The decrease is mainly due to Enping plant generated relatively high operating costs during its preliminary phase. However, as the expansion will be beneficial for long term development, this preliminary expenditure is expected to return in value once operations reach full capacity. We are pleased to report that Enping's operations have started to head to a profitable trend and we believe further integration of existing operational facilities will create synergy and reduce manufacturing overheads and sub-contracting costs, thereby lowering external uncertainties and fortifying our adaptability to the fast-changing demands of our customers.

In addition, the sharp plunge in market consumption rendered an influx of abrupt orders that required shorter delivery cycles; therefore the Group simultaneously took on higher labour costs to sustain the quality of our services, thereby affecting our overall gross margin. However, along with the subsidence of market panic, the management believes that the buying orders will gradually return to a stable level. In the meantime, proactive research and development in new fabric and design will continue to be initiated by the Group to gain further market share and achieve greater profit margin through the delivery of innovative and high-end products.

MANAGEMENT DISCUSSION & ANALYSIS

Against all difficulties in stabilizing our sales and profit margin in 2009, the Group recorded an encouraging net profit attributable to shareholders of HK$83.1 million, a 1.7% increase from the previous year. This resulted from the Group's management efforts in maintaining strong internal cost control and resources allocations. We understood the importance of sustaining a healthy financial position with the presence of a well managed cash flow system during times of crisis and with dedication to further bringing down capital expenditure and operating expenses; our proactive initiatives were translated into sustained company profits despite decrease in turnover.

Whilst remaining dedicated to our core textile and garment operations, the Group's diversification into the mining industry has reached an important milestone. In response to the growing demand for iron and steel where supply and contract prices are being dominated by three major suppliers in the worldwide, the Group identified the market needed for broader iron supply sources. With encouragement and support from the PRC and Madagascar government, a strategic alliance was formed with Wisco Group and Guangxin Group to focus on this niche market and to create the opportunity of bringing more stable iron ore supply into the PRC and other regions. The Group will oversee the networking aspect of the project as our prior footprints in Madagascar, and the well-established relationship with the local government will be used as a platform to facilitate business negotiation and coordination. Coupled with relevant industry expertise from our partners, the directors believe this unique management structure will contribute substantially to our Group's profitability as well as shareholder value in the long run.

The success of our new business scope and direction is further reinforced as the Group successfully conducted two fund raising activities during the Year and raised approximately HK$200.9 million in total for general working capital including but not limited to the mineral exploration and exploitation rights in Soalala, Madagascar, reflecting the market's confidence in our business direction.

2009 represented a memorable yet crucial pivoting year for the Group's business development. Facing the challenges in the operating environment, we will continue to implement appropriate measures to ensure the vitality of our robust competitiveness, all-rounded customer base, high operating efficiency, and sustainable profitability. In addition, the Group is confident that the venture into the mining industry will deliver high returns in shareholder value and establish our versatility in business competence. With the initiation of dual growth strategies, the Board is cautiously optimistic that despite the negative effects of the market turmoil, the Group's strong core foundation and well-being will continue to firmly take hold of its position as a prominent corporation in the industries we operate in.

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL REVIEW

REVENUE

For the Year, the Group recorded a revenue of HK$2,523.2 million (2008: HK$2,586.6 million), representing a slight decrease of approximately 2.5% in comparison to the previous financial year. The decrease in revenue is mainly attributable to the effects of a diminished market size and low procurement spending resulted from the financial crisis and credit crunch in late 2008.

GROSS PROFIT AND GROSS PROFIT MARGIN

Gross profit for the Year was HK$440.9 million (2008: HK$482.3 million), representing a decrease of approximately 8.6% in comparison to the previous financial year. Gross profit margin was 17.5% in 2009, a decrease from 18.6% in 2008. The narrowing of gross profit margin is mainly due to Enping's preliminary expenditure and general increase in production cost occurred during the Year.

NET PROFIT AND NET PROFIT MARGIN

The Group's net profit attributable to shareholders for the Year was HK$83.1 million (2008: HK$81.7 million), representing an increase of 1.7%. Net profit margin for the year ended 31 December 2009 was 3.3%, an increase from 3.2% in 2008. The increase in net profit margin was mainly due to the Group's management efforts in maintaining strong internal cost control and resources allocations.

OTHER INCOME AND EXPENSES

Other income of approximately HK$15.9 million (2008: HK$10.5 million) for the Year mainly comprised HK$15.4 million (2008: HK$14.8 million) from the sales of excess steam generated by the power plant to the nearby factories in the district, as well as the net fair value losses of HK$13.1 million (2008: HK$18.6 million) from interest rate swaps and forward currency contracts which are not yet matured. The remaining balance was primarily the result of interest income, rental income and the sales of scrap materials.

Selling and distribution costs of HK$102.0 million (2008: HK$128.9 million) for the Year consisted of HK$78.7 million (2008: HK$109.5 million) in shipping and delivery costs, which represented a decrease of 28.1% relative to the previous year and attributable to decrease in turnover and freight charges. Administrative expenses, which included salaries, depreciation and other related expenses, increased by 8.3% year-on-year to HK$245.6 million (2008: HK$226.8 million). The increase was due to the commencement of operation in the Enping together with new overseas office full year operation impact during the Year.

MANAGEMENT DISCUSSION & ANALYSIS

Finance costs, which mainly included interests on long-term loans from banks, short-term trust receipt loans and finance lease interest, decreased by 43.2% to HK$17.5 million for the year (2008: HK$30.8 million) as compared with the previous year as a result of decrease in market interest rates.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2009, the Group's net current assets were HK$85.7 million (2008: HK$57.9 million). The increase in net current assets was mainly attributable to two successful placement exercises during the Year for working capital enforcement. The Group will constantly review and maintain a healthy financial position by financing its operations from internally-generated resources, long-term bank loans and fund raising from capital market. As at 31 December 2009, the Group had cash and cash equivalents of HK$390.8 million (2008: HK$137.5 million). Current ratio of the Group was 1.1 times (2008: 1.1 times).

Total bank and other borrowings of the Group, as at 31 December 2009, were HK$827.1 million (2008: HK$959.0 million). Cash and cash equivalents of the Group were HK$390.8 million (2008: HK$137.5 million). The Group's net debt gearing ratio was maintained at a healthy level of approximately 41.3% (2008: 51.7%).

Debtors' turnover period, inventory turnover period and creditors' turnover period for the year were 55.7 days (2008: 64.8 days), 91.3 days (2008: 77.7days) and 87.6 days (2008: 54.1 days), respectively. The decrease in the debtors' turnover period was due to our better credit control effort. The increase in the inventory and creditor turnover period were attributable to the increase in storage of yarn due to its price fluctuation since late 2009.

FINANCING

As at 31 December 2009, the total banking and loan facilities of the Group amounted to HK$2,315.6 million (2008: HK$2,153.1 million), of which HK$1,138.0 million (2008: HK$1,036.0 million) was utilized.

As at 31 December 2009, the Group's long-term loans were HK$156.9 million (2008: HK$363.4 million) comprising term loans from banks of HK$132.9 million (2008: HK$326.1 million) and long-term finance lease payable of HK$24.0 million (2008: HK$37.3 million). The decrease in long-term loan was mainly attributable to the shift of non-current portion of the term loans and finance lease to current liability as well as the repayment of the term loans and finance lease.

MANAGEMENT DISCUSSION & ANALYSIS

DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK2.5 cents (2008: Nil) per share in respect of the year ended 31 December 2009 to be payable to the shareholders whose names appear on the register of members of the Company on 8 June 2010. Subject to the approval by shareholders regarding the payment of the final dividend at the forthcoming annual general meeting of the Company, the proposed final dividend will be paid on or about 22 June 2010.

CAPITAL STRUCTURE

The capital structure of the Company is composed of equity and debt.

As at 31 December 2009, the equity base has been expanded by approximately HK$200.9 million through two placing activities. The first placing in August 2009 generated net proceeds approximately HK$35.5 million under the top-up placing of 30,000,000 new shares; approximately HK$0.4 million under the private placing of 30,000,000 non-listed warrants; and approximately HK$45.0 million upon full exercise of the subscription rights attached to the warrants. The second placing generated net proceeds approximately HK$120.0 million by top-up placing of 61,500,000 new shares in December 2009.

FOREIGN EXCHANGE RISK AND INTEREST RATE RISK

73.7% (2008: 75.1%) of the Group's sales were denominated in US dollars. The remaining sales were denominated in Hong Kong dollars and Renminbi. The majority of the Group's cost of sales was denominated in US dollars, Hong Kong dollars and Renminbi. The Group is therefore exposed to foreign exchange risk arising from currency exposures. The exchange rates of those currencies were relatively stable throughout the year under review. The management closely monitors the foreign exchange movements and determines the appropriate hedging activities when necessary.

The Group's borrowings were mainly maintained at floating rate basis. The management will pay attention to the interest rate movement, and employed necessary hedging instruments in a prudent and professional manner.

CHARGE ON GROUP'S ASSETS

As at 31 December 2009, certain items of property, plant and equipment of the Group with an aggregate net book value of HK$63.7 million (2008: HK$120.4 million) were under finance leases.

MANAGEMENT DISCUSSION & ANALYSIS

CAPITAL EXPENDITURE

During the year under review, the Group invested HK$215.0 million (2008: HK$382.2 million) in capital expenditure of which 83.5% (2008: 84.8%) was used for the purchase of plant and machinery, 5.3% (2008: 9.4%) was used for the acquisition and construction of new factory premises, and the remaining was used for the purchase of other property, plant and equipment, prepaid land lease payments as well as investment in a jointly controlled entity.

As at 31 December 2009, the Group had capital commitments of HK$40.5 million (2008: HK$65.1 million) in property, plant and equipment as well as commitment in respect of capital contribution of US$10 million (approximately HK$77.8 million) (2008: Nil) for an associate engaging in a mining project in Soalala, Madagascar, Africa. They are funded by internal resources and fund raising from capital market, respectively.

STAFF POLICY

The Group had 5,460 (2008: 4,430) employees in the PRC, 3,950 (2008: 5,100) employees in Madagascar and 170 (2008: 140) employees in Hong Kong, Macau, Singapore and Korea as at 31 December 2009. Remuneration packages are generally structured by reference to market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Discretionary bonuses are offered to the Group's staff depending on their performance and the results of the Group. The Group also participates in various defined contribution plans and insurance schemes in compliance with its statutory obligations under the laws and regulations of various locations worldwide.

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

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

MANAGEMENT DISCUSSION & ANALYSIS

CONTINGENT LIABILITIES

As at 31 December 2009, the Company had contingent liabilities in relation to guarantees given to banks to secure credit facilities granted to certain subsidiaries amounting to HK$1,138.0 million (2008: HK$1,036.0 million). The Group had a contingent liability in respect of possible future long service payments to employees with a maximum possible amount of HK$1.7 million (2008: HK$1.6 million).

MAJOR CUSTOMERS AND SUPPLIERS

For the Year, sales to the Group's five largest customers accounted for 37.1% (2008: 42.0%) of the total sales and sales to the largest customer included therein accounted for 14.3% (2008: 12.3%).

Purchases from the Group's five largest suppliers accounted for 27.2% (2008: 37.2%) of the total purchases for the Year and purchases from the largest supplier included therein accounted for 8.3% (2008: 13.0%).

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

SEGMENT INFORMATION

For the Year, sales to the five largest regions (Singapore, Taiwan, Hong Kong, the PRC (other than Hong Kong and Macau) and Korea) accounted for 85.6% (2008: (Singapore, Taiwan, Hong Kong, the PRC (other than Hong Kong and Macau) and USA) 85.5%) of the total sales of the Group and sales to the largest region (Singapore) included therein accounted for 38.8% (2008: 41.6%) of the Group.

As at 31 December 2009, the Group's assets located in fabric operation accounted for 98.3% (2008: 98.8%) of the total assets of the Group. Capital expenditure in the fabric operation during the Year accounted for 99.7% (2008: 98.1%) of the total capital expenditure of the Group.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code for securities transactions by directors (the "Directors") of the Company. Having made specific enquiry of all Directors, the Company has confirmed that the Directors have complied with the required standard set out in the Model Code for the year ended 31 December 2009.

BOARD OF DIRECTORS

As at 31 December 2009, the Board comprised ten Directors, including six executive Directors, one non-executive Director and three independent non-executive Directors. Biographical details of the Directors are set out in the section headed "Profile of Directors and Senior Management" on pages 25 to 30 of the annual report.

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

Executive Directors:	Mr. Tai Chin Chun *(Chairman)* Mr. Tai Chin Wen *(Chief Executive Officer)* Ms. Cheung So Wan Ms. Wong Siu Yuk Mr. Chong Chau Lam Mr. Wong Wai Kong, Elmen
Non-executive Director:	Mr. Lee Cheuk Yin, Dannis (appointed on 16 September 2009)
Independent non-executive Directors:	Mr. Chan Yuk Tong, Jimmy Ms. Chu Hak Ha, Mimi Mr. Chan Chung Yuen, Lawrence

CORPORATE GOVERNANCE REPORT

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

The Board has a balance of skills and various expertise to direct and supervise the business affairs of the Group. The Board undertakes to monitor the performance of the Group's business operation and act in the best interests of the Group as a whole. The management of the Company implements the strategic development and deals with certain operational matters of the Group under the delegation and authority of the Board.

During the year ended 31 December 2009, the Board convened six full board meetings and the individual attendance of each Director at these meetings is set out below:

Name of Director	Note	**Attendance**	**Rate (%)**
Executive Directors:			
Mr. Tai Chin Chun *(Chairman)*		6/6	100%
Mr. Tai Chin Wen		6/6	100%
Ms. Cheung So Wan		6/6	100%
Ms. Wong Siu Yuk		6/6	100%
Mr. Chong Chau Lam		6/6	100%
Mr. Wong Wai Kong, Elmen		6/6	100%
Non-executive Director:			
Mr. Lee Cheuk Yin, Dannis	(i)	1/1	100%
Independent non-executive Directors:			
Mr. Chan Yuk Tong, Jimmy		5/6	83%
Ms. Chu Hak Ha, Mimi		5/6	83%
Mr. Chan Chung Yuen, Lawrence		6/6	100%

Note:

(i) Mr. Lee Cheuk Yin, Dannis was appointed as a non-executive Director of the Company on 16 September 2009.

CORPORATE GOVERNANCE REPORT

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

The Company has complied with Rules 3.10 (1) and (2) of the Listing Rules. The Board comprises three independent non-executive Directors with one of them possesses the requisite appropriate professional accounting qualifications.

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

NON-EXECUTIVE DIRECTOR

The term of office for non-executive Director and independent non-executive Directors is specified for one year and three years, respectively, subject to retirement by rotation and re-election at annual general meeting under the Articles.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

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

During the year ended 31 December 2009, the remuneration committee convened three meetings and the individual attendance of each committee member at these meeting is set out below:

Name of Director	Attendance	Rate (%)
Independent non-executive Directors:		
Ms. Chu Hak Ha, Mimi *(Chairman)*	3/3	100%
Mr. Chan Yuk Tong, Jimmy	3/3	100%
Mr. Chan Chung Yuen, Lawrence	3/3	100%
Executive Directors:		
Mr. Tai Chin Chun	3/3	100%
Mr. Tai Chin Wen	3/3	100%

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

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

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

During the year ended 31 December 2009, the nomination committee convened two meetings and the individual attendance of each committee member at that meeting is set out below:

Name of Director	Attendance	Rate (%)
Independent non-executive Directors:		
Mr. Chan Chung Yuen, Lawrence *(Chairman)*	2/2	100%
Mr. Chan Yuk Tong, Jimmy	2/2	100%
Ms. Chu Hak Ha, Mimi	2/2	100%
Executive Directors:		
Mr. Tai Chin Chun	2/2	100%
Mr. Tai Chin Wen	2/2	100%

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

CORPORATE GOVERNANCE REPORT

RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

The Directors are responsible for overseeing the preparation of financial statements for each financial period to ensure such financial statements give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. The Company's financial statements are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgment and estimates made are prudent and reasonable.There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

AUDITORS' REMUNERATION

For the year ended 31 December 2009, Ernst & Young, as the external auditors of the Company, have provided audit and non-audit services to the Group at the fee of approximately HK$2.09 million and HK$0.5 million, respectively.

The responsibilities of the external auditors of the Company are set out in the "Independent Auditors' Report" on pages 42 to 43 of this report.

AUDIT COMMITTEE

The audit committee was established in August 2004. Terms of reference adopted by the audit committee are of no less exacting terms than those duties set out in the Code. The audit committee comprised three independent non-executive Directors, namely Mr. Chan Yuk Tong, Jimmy (Chairman), Ms. Chu Hak Ha, Mimi and Mr. Chan Chung Yuen, Lawrence. The audit committee is primarily responsible for reviewing and providing supervision over the Group's financial reporting process and internal controls.

During the year ended 31 December 2009, the audit committee convened two meetings and the individual attendance of each committee member at these meetings is set out below:

Name of Director	Attendance	Rate (%)
Independent non-executive Directors:		
Mr. Chan Yuk Tong, Jimmy *(Chairman)*	2/2	100%
Ms. Chu Hak Ha, Mimi	2/2	100%
Mr. Chan Chung Yuen, Lawrence	2/2	100%

CORPORATE GOVERNANCE REPORT

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

The audit committee made recommendation to the Board on the re-appointment of the external auditor. The Board has not taken a different view from that of the audit committee regarding the selection, appointment, resignation or dismissal of the external auditors.

INTERNAL CONTROLS

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

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

During the year of 2009, the Board has conducted a review of the effectiveness of the internal control system of the Group covering all material controls, including financial, operational and compliance controls as well as risk management functions as required by the Code Provisions. The audit committee has also reviewed the internal control system of the Group and the findings of major investigations of internal control matters. The Group implements budget management with an aim to have better monitor on both business and financial performance. There was no significant incidence of failure in connection with financial, operational and compliance control during the year under review and the Board also considered that there are adequate staff with appropriate qualifications and experience, resources and budget of its accounting and financial reporting function, and adequate training programmes have been provided .

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

CORPORATE GOVERNANCE REPORT

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

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

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Tai Chin Chun (戴錦春), aged 48, is the Chairman of the Board, an executive Director and founder of the Group. He is in charge of the Group's corporate strategy, planning and overall development. He has more than 25 years of experience in the textile industry. Mr. Tai conferred an Honorary Consulate of The Republic of Mauritius in Hong Kong Special Administration Region in Jan 2010. Mr. Tai obtained the "World Outstanding Chinese Award 2008" from United World Chinese Association and conferred an Honorary Doctor Degree by The University of West Alabama (Regional University), USA. Mr. Tai is an Executive Director of Guangdong Chamber of Foreign Investors (廣東外商公會常務理事), a member of Guangdong Committee of CPPCC and Panyu District Committee of CPPCC (中國人民政治協商會議廣東省委員會委員、廣州市番禺區委員會委員). He is also a Vice Chairman and life honorary president of Pan Yue Industrial and Commercial Fellowship Association Limited (香港番禺工商聯誼會有限公司副主席及永遠榮譽會長). He has also been awarded honorary citizenship of Guangzhou Municipal（廣州市榮譽市民）, life honorary president of Fujian Tai's Clan Hong Kong Association, Panyu Charity Federation, Guangzhou Municipal (福建旅港戴氏宗親會永遠榮譽會長及廣州市番禺區慈善會永遠榮譽會長). Mr. Tai is the younger brother of Mr. Tai Chin Wen and the spouse of Ms. Cheung So Wan.

Mr. Tai Chin Wen (戴錦文), aged 54, is an executive Director, the Chief Executive Officer and founder of the Group. He is in charge of the Group's overall management. He has over 25 years of management experience in the manufacturing industry. Mr. Tai is a standing member of Hubei Committee of CPPCC and Guangdong Enping Committee of CPPCC, a member of the Fujian Nan An Committee of CPPCC and Jiangmen Committee of CPPCC (中國人民政治協商會議湖北省委員會常務委員及廣東省恩平市委員會常務委員, 福建省南安市委員會委員及江門市委員會委員). He is a Vice Chairman of Hubei-Africa Business Council (湖北省非洲民間商會副會長), Executive Director of Hubei Chinese Overseas Friendship Association (湖北省海外聯誼會常務理事), Vice Chairman of Guangdong Jiangmen City Association of Foreign Investment (廣東省江門市外商投資協會副會長) and President of Fujian Tai's Clan Hong Kong Association (福建旅港戴氏宗親會會長). He has also been awarded honorary citizenship of Guangzhou Municipal and Jiangmen (廣州市榮譽市民及江門市榮譽市民), life honorary president of Hong Kong Fujian Nan An Association (香港福建南安公會永遠榮譽會長). Mr. Tai is the elder brother of Mr. Tai Chin Chun and the spouse of Ms. Wong Siu Yuk.

Ms. Cheung So Wan (張素雲), aged 46, is an executive Director. She is responsible for yarn sourcing, quality control and stock control in the Group, and assists in the overall management of the Group. Ms. Cheung joined the Group in November 1996 and has more than 15 years of experience in the textile industry. Ms. Cheung is the spouse of Mr. Tai Chin Chun.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Wong Siu Yuk (黃少玉), aged 48, is an executive Director. She is responsible for dyeing material sourcing, quality control and stock control in the Group, and assists in the overall management of the Group. Ms. Wong joined the Group in December 1996 and has more than 15 years of experience in the textile industry. Ms. Wong is the spouse of Mr. Tai Chin Wen.

Mr. Chong Chau Lam (莊秋霖), aged 60, is an executive Director. He is responsible for overall management of the textile business of the Group. Mr. Chong obtained a higher diploma in Dyeing, Printing and Finishing Technology from the Hong Kong Technical College and a master degree of Business Administration from the University of East Asia. He is an associate member of both the Society of Dyers and Colourists and the Textile Institute in United Kingdom, and was awarded the Silver Medal by the Society of Dyers and Colourists in 1982. Prior to joining the Group on 30 March 2004, he worked as a senior lecturer at the Institute of Textiles and Clothing of the Hong Kong Polytechnic University and an engineer in a local textile company. Mr. Chong is also currently a member of the Dyeing and Finishing Special Committee, the China Textile Engineering Society, and an active technical consultant in the dyeing and finishing sector.

Mr. Wong Wai Kong, Elmen (黃偉桄), aged 44, is an executive Director. Mr. Wong is responsible for the strategic planning and corporate development of the Group. Mr. Wong obtained a bachelor degree of Business Administration from the Hong Kong Baptist University, a master degree of Business Administration from the University of Sheffield and a master degree of Science in Business Information Technology from the Middlesex University. Prior to joining the Group in December 2002, Mr. Wong gained extensive financial experience in professional accounting and auditing for over 8 years. Mr. Wong is a fellow member of the Association of Chartered Certified Accountants, a practising fellow member of the Hong Kong Institute of Certified Public Accountants.

NON-EXECUTIVE DIRECTOR

Mr. Lee Cheuk Yin, Dannis (李卓然), aged 39, is a non-executive Director. Mr. Lee is a first class honors graduate of Bachelor of Business Administration from Texas A & M University in the US and is an associate member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. Mr. Lee had worked in an international accounting firm and an international cigarette manufacturer. Mr. Lee is an independent non-executive director of Geely Automobile Holdings Limited, a listed company in Hong Kong and had previously been an executive director and a non-executive director of other listed companies in Hong Kong. Mr. Lee joined the Group on 16 September 2009.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Yuk Tong, Jimmy (陳育棠), aged 47, Mr. Chan obtained a bachelor degree in Commerce from the University of Newcastle in Australia and a master degree of Business Administration from the Chinese University of Hong Kong. He is a practising fellow member of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. Mr. Chan has over 20 years of experience in corporate finance, financial advisory and management, professional accounting and auditing. He is also a non-executive director of Vitop Bioenergy Holdings Limited and an independent non-executive director of Jia Sheng Holdings Limited, Daisho Microline Holdings Limited, Sichuan Xinhua Winshare Chainstore Company Limited, BYD Electronic (International) Company Limited and Global Sweeteners Holdings Limited, which are listed companies in Hong Kong. He is also an independent non-executive director of Anhui Conch Cement Company Limited, which is a listed company in Hong Kong and Shanghai. Mr. Chan has been appointed as an executive director of Asia Cassava Resources Holdings Limited ("Asia Cassava") with effect from 2 July 2008 and an independent non-executive director of Ausnutria Dairy Corporation Ltd ("Ausnutria") with effect from 19 September 2009. The shares of Asia Cassava and Ausnutria have been listed on the Stock Exchange since 23 March 2009 and 8 October 2009, respectively. Mr. Chan was also an independent non-executive director of China Pipe Group Limited (formerly known as World Trade Bun Kee Limited), a listed company in Hong Kong during the period from 1 January 2007 to 3 July 2007. Mr. Chan joined the Group on 30 March 2004.

Ms. Chu Hak Ha, Mimi (朱克遐), aged 46, is a solicitor practising in Hong Kong SAR and a partner of David Lo & Partners, a law firm in Hong Kong. Ms. Chu was also admitted as solicitor in England and Wales and solicitor and barrister in the Australian Capital Territory. Ms. Chu joined the Group on 30 March 2004.

Mr. Chan Chung Yuen, Lawrence (陳鍾元), aged 31, graduated from the University of Manchester Institute of Science and Technology (UMIST) in England. Mr. Chan has 6 years of working experience in a brokerage firm in Hong Kong. He is also a director of two private companies in Hong Kong. Save as being an independent non-executive Director, he does not hold any position with other members of the Group. Mr. Chan has over 6 years of corporate finance, accounting and finance experience. Mr. Chan joined the Group on 1 July 2007.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Kung Wai Chung (龔衛忠), aged 52, is the deputy general manager of the Group and is responsible for the overall management and administration in the Group. Mr. Kung obtained a craft certificate in Tool and Die Making awarded by the Kwai Chung Technical Institute and a professional certificate in Business Management awarded by the Hong Kong Open University. Prior to joining the Group in November 1996, Mr. Kung has worked for textile companies for over 10 years. Mr. Kung is a brother-in-law of both Mr. Tai Chin Chun and Mr. Tai Chin Wen.

Mr. Wong Yi Ming (黃一鳴), aged 45, is the deputy managing director of Guangzhou Kam Hing Textile Dyeing Co., Limited (the "Guangzhou KH Textile"), a wholly-owned subsidiary of the Group, and is responsible for the overall management and administration of Guangzhou KH Textile. Mr. Wong obtained a master degree of Business Administration from the Zhongshan University. He has over 20 years of management experience in the textile industry. Prior to joining the Group in September 1997, Mr. Wong has worked for PRC companies for over 16 years, where he was responsible for financial and business management. Mr. Wong is the younger brother of Ms. Wong Siu Yuk.

Mr. Chin Tai Wing (錢棣榮), aged 59, is the Director and Chief Executive Officer of Kam Wing International Textile Company Limited (the "Kam Wing"), a subsidiary of the Group which is the holding company of the Group's fabric factory in Enping, PRC. Mr. Chin is in charge of the corporate development and management of the Kam Wing and its subsidiary. Mr. Chin has more than 30 years of experience in the textile industry and has been actively engaged in the textile business of dyeing, finishing, printing, knitting and sales of fabric. Mr. Chin joined the Group in January 2007. Mr. Chin is the father-in-law of a son of Mr. Tai Chin Wen.

Mr. Liu Zhi Gang (劉志剛), aged 43, is the factory manager of the fabric dyeing operation of Guangzhou KH Textile, and is responsible for the monitoring and management of the Group's fabric dyeing operation. Prior to joining the Group in July 1997, Mr. Liu has worked for dyeing companies for over 7 years.

Mr. Tai Chu Fa (戴住發), aged 57, is the deputy general manager of the knitting operation of Guangzhou KH Textile, and is responsible for the monitoring and management of the Group's knitting operation. Prior to joining the Group in December 1996, Mr. Tai has worked for knitting companies for over 25 years.

Mr. Wong Yin Ming (王燕明), aged 48, is the factory manager of the yarn dyeing operation of Guangzhou KH Textile and is responsible for the monitoring and management of the Group's yarn dyeing operation. Prior to joining the Group in June 2004, Mr. Wong has worked for dyeing companies for over 10 years.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Chan Ying Wah (陳映華), aged 54, is the production control manager of the knitting and dyeing operations of Guangzhou KH Textile and is responsible for the monitoring of the Group's knitting and dyeing production. Prior to joining the Group in January 2003, Mr. Chan worked for knitting companies for over 20 years.

Mr. Ho Yi Piu, Bill (何宜標), aged 41, is the director of Kam Hing Piece Works (S) Pte Limited, a wholly-owned subsidiary of the Group. Mr. Ho is the sales director in charge of the Group's sales and marketing function in the Singapore region. Mr. Ho obtained a diploma in Business Administration from the Society of Business Practitioners, Cheshire, United Kingdom. Prior to joining the Group in June 1999, Mr. Ho has worked for fabric trading companies and he has over 10 years of experience in the textile industry. Mr. Ho is a son-in-law of a brother of Mr. Tai Chin Chun and Mr. Tai Chin Wen.

Ms. Leung Mei Yin (梁美賢), aged 45, is the sales director in charge of the Group's sales and marketing function in the Hong Kong Region. Ms. Leung has over 20 years of experience in the textile industry. Ms. Leung joined the Group in December 2008.

Mr. Lam Hau Hei (林厚禧), aged 58, is the sales director in charge of the Group's sales and marketing function in the PRC region. Prior to joining the Group in November 2005, Mr. Lam has worked for technical services, production management and merchandising in knitting companies for over 30 years.

Mr. Tai Tang Tat (戴騰達), aged 29, is the director of Kam Hing Korea Limited, a subsidiary of the Group. Mr. Tai is the sales director in charge of sales and marketing function in the Korea region. Mr. Tai obtained a diploma in Computer Science from the Sydney Institute of Business and Technology, Australia. Mr. Tai is a son of Mr. Tai Chin Wen. Mr. Tai joined the Group in March 2002.

Mr. Lui Yuen Hang (雷遠航), aged 42, is the director of Kam Hing Madagascar and Kwok Hing Garment Madagascar, wholly-owned subsidiaries of the Group. Mr. Lui is the Chief Executive Officer of the Group's garment section in charge of the Group's garment operation. Prior to joining the Group in 2006, Mr. Lui has over 5 years of experience in the textile and garment industries. Mr. Lui is a nephew of Ms. Wong Siu Yuk.

Mr. Pong Chi Ho, Terence (龐志豪), aged 40, is the senior sales and marketing manager of Kam Hing Global Garment Company Limited, a wholly-owned subsidiary of the Group, and is responsible for the sales and marketing of the Group' garment section. Mr. Pong obtained a certificate in Fashion and Clothing Manufacture awarded by the Hong Kong Polytechnic University. Prior to joining the Group in September 2006, Mr. Pong has worked for both garment factory and garment trading company and he has over 15 years of experience in the garment industry.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Tan Poh San (陳寶山), age 58, is the general manager of Kam Hing Madagascar and Kowk Hing Garment Madagascar, wholly-owned subsidiaries of the Group, and is responsible for the monitoring and management of the garment production in Madagascar. Prior to joining the Group in February 2009, Mr. Tan has many years of experience in the textile and garment industries.

Mr. Lei Heong Man, Ben (李向民), aged 49, is the chief financial officer and company secretary of the Group and is responsible for the supervision and management of the Group's financial matters. Mr. Lei has over 18 years' experience in regional financial and operational management in multinational corporations and listed companies, and he is a fellow member of the Assoication of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Lei holds a bachelor's degree in Accountancy, Finance and economics from the University of Essex, and a Master of Business Administration degree from The University of Wales, United Kingdom. Mr. Lei joined the Group in June 2009.

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 17 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2009 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 44 to 145.

The directors recommend the payment of a final dividend of HK2.5 cents (2008: Nil) per ordinary share in respect of the year, to be payable to the shareholders whose names appear on the register of members of the Company on 8 June 2010.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, is set out on page 146. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

SHARE CAPITAL, SHARE OPTIONS AND WARRANTS

Details of movements in the Company's share capital, share options and warrants during the year, together with the reasons therefor, are set out in notes 30 and 31 to the financial statements.

PRE-EMPTIVE RIGHTS

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

REPORT OF THE DIRECTORS

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 32(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2009, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to HK$874,982,000. The amount of HK$874,982,000 includes the Company's share premium account and capital reserve of HK$730,586,000 in aggregate as at 31 December 2009, which may be distributed provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK$99,000.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 37.1% (2008: 42.0%) of the total sales and sales to the largest customer included therein accounted for 14.3% (2008: 12.3%). Purchases from the Group's five largest suppliers accounted for 27.2% (2008: 37.2%) of the total purchases for the year and purchases from the largest supplier included therein accounted for 8.3% (2008: 13.0%).

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

REPORT OF THE DIRECTORS

DIRECTORS

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

EXECUTIVE DIRECTORS:

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

NON-EXECUTIVE DIRECTOR:

Mr. Lee Cheuk Yin, Dannis (appointed on 16 September 2009)

INDEPENDENT NON-EXECUTIVE DIRECTORS:

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

In accordance with article 86(3) of the Company's articles of association, Mr. Lee Cheuk Yin, Dannis will only hold office until the forthcoming annual general meeting of the Company. Being eligible, Mr. Lee will offer himself for re-election at the forthcoming annual general meeting of the Company. In accordance with article 87(1) of the Company's articles of association, Mr. Tai Chin Wen, Ms. Cheung So Wan and Ms. Chu Hak Ha, Mimi, will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company. The independent non-executive directors are appointed for a term of three years.

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors and the senior management of the Group are set out on pages 25 to 30 of the annual report.

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS

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

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

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

EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

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

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

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in the related party transactions disclosures in note 37 to the financial statements, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2009, the interests and short positions of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

LONG POSITIONS IN ORDINARY SHARES OF THE COMPANY:

Name of director	Notes	**Capacity and nature of interest**	**Number of shares**	**Approximate percentage of the Company's issued share capital**
Mr. Tai Chin Chun	1	Through controlled corporation	382,600,000	49.46
Mr. Tai Chin Wen	2	Through controlled corporation	96,000,000	12.41
Ms. Cheung So Wan	3	Through spouse	382,600,000	49.46
Ms. Wong Siu Yuk	4	Through spouse	96,000,000	12.41
Mr. Chong Chau Lam		Directly beneficially owned	300,000	0.04

REPORT OF THE DIRECTORS

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

LONG POSITIONS IN SHARE OPTIONS OF THE COMPANY:

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

Notes:

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

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

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

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

Save as disclosed above, as at 31 December 2009, none of the directors had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

REPORT OF THE DIRECTORS

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Further details of the Scheme are disclosed in note 31 to the financial statements.

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

Name of category of participant	Number of share options: At 1 January 2009	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	At 31 December 2009	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$ per share	Price of the Company's shares at the grant date of options*** HK$ per share
Directors										
Mr. Tai Chin Chun	3,000,000	–	–	–	–	3,000,000	6 October 2004	6 October 2005 to 5 October 2014	1.28	1.24
Mr. Tai Chin Wen	2,000,000	–	–	–	–	2,000,000	6 October 2004	6 October 2005 to 5 October 2014	1.28	1.24
Ms. Cheung So Wan	1,000,000	–	–	–	–	1,000,000	6 October 2004	6 October 2005 to 5 October 2014	1.28	1.24
Ms. Wong Siu Yuk	1,000,000	–	–	–	–	1,000,000	6 October 2004	6 October 2005 to 5 October 2014	1.28	1.24
Mr. Wong Wai Kong, Elmen	1,000,000	–	–	–	–	1,000,000	6 October 2004	6 October 2005 to 5 October 2014	1.28	1.24
	5,100,000	–	–	–	(5,100,000)	–	2 November 2007	2 November 2008 to 1 February 2009	2.47	2.34
Subtotal	13,100,000	–	–	–	(5,100,000)	8,000,000				

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME *(continued)*

Name of category of participant	Number of share options						Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$ per share	Price of the Company's shares at the grant date of options*** HK$ per share
	At 1 January 2009	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	At 31 December 2009				
Non-director employees										
In aggregate	8,347,000	–	(7,106,000)	–	(60,000)	1,181,000	6 October 2004	6 October 2005 to 5 October 2014	1.28	1.24
	34,850,000	–	–	–	(34,850,000)	–	2 November 2007	2 November 2008 to 1 February 2009	2.47	2.34
	-	36,900,000	–	–	–	36,900,000	3 July 2009	3 July 2010 to 2 January 2011	0.66	0.65
	43,197,000	36,900,000	(7,106,000)	–	(34,910,000)	38,081,000				
Others										
In aggregate	520,000	–	(300,000)	–	–	220,000	6 October 2004	6 October 2005 to 5 October 2014	1.28	1.24
	2,500,000	–	–	–	(2,500,000)	–	2 November 2007	2 November 2008 to 1 February 2009	2.47	2.34
	-	26,900,000	–	–	–	26,900,000	3 July 2009	3 July 2010 to 2 January 2011	0.66	0.65
	3,020,000	26,900,000	(300,000)	–	(2,500,000)	27,120,000				
Total	59,317,000	63,800,000	(7,406,000)	–	(42,510,000)	73,201,000				

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

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

*** The price of the Company's shares disclosed at the grant date of options is the closing price of the Company's shares on the Stock Exchange on the trading day or the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately prior to the date of offer of the grant of the options.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME *(continued)*

The directors have estimated the values of the share options granted and based on the valuation report issued by the third party independent professional valuer during the year, calculated using the binomial option pricing model as at the date of grant of the options:

Grantee	Number of options granted during the year	Theoretical value of share options
		HK$
Non-director employees	36,900,000	7,557,000
Others	26,900,000	5,509,000
	63,800,000	13,066,000

The binomial option pricing model is a generally accepted method of valuing options, using the construction of a binomial lattice which represents different possible paths that might be followed by the stock price over the life of the options. The significant assumptions used in the calculation of the values of the share options were the risk-free interest rate, expected life, expected volatility and expected dividend. The measurement dates used in the valuation calculations were the dates on which the options were granted.

The values of share options calculated using the binomial model are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of assumptions of the expected future performance input to the model, and certain inherent limitations of the model itself.

The value of an option varies with different variables of certain subjective assumptions. Any change to the variables used may materially affect the estimation of the fair value of an option.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

So far as is known to the directors and the chief executive of the Company, as at 31 December 2009, the following persons (not being directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

LONG POSITIONS:

Name	**Capacity and nature of interest** (Note)	**Number of ordinary shares held**	**Percentage of the Company's issued share capital**
Exceed Standard	Directly beneficially owned	382,600,000	49.46
Power Strategy	Directly beneficially owned	96,000,000	12.41

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

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

Save as disclosed above, as at 31 December 2009, no person, other than the directors, whose interests are set out under the sections headed "Directors' interests and short positions in shares and underlying shares" and "Share option scheme" above, had an interest or a short position in the shares or underlying shares of the Company that was required to be recorded in the register pursuant to Section 336 of the SFO.

REPORT OF THE DIRECTORS

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

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in note 42 to the financial statements.

AUDITORS

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

ON BEHALF OF THE BOARD

Tai Chin Chun
Chairman

Hong Kong
26 April 2010

INDEPENDENT AUDITORS' REPORT

ERNST & YOUNG
安 永

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

We have audited the financial statements of Kam Hing International Holdings Limited set out on pages 44 to 145, 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.

INDEPENDENT AUDITORS' REPORT (continued)

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

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 Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong
26 April 2010

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
REVENUE	5	**2,523,245**	2,586,617
Cost of sales		**(2,082,346)**	(2,104,285)
Gross profit		**440,899**	482,332
Other income and gains, net	5	**15,936**	10,485
Selling and distribution costs		**(102,010)**	(128,926)
Administrative expenses		**(245,618)**	(226,756)
Other operating income/(expenses), net		**142**	(13,435)
Finance costs	6	**(17,452)**	(30,815)
Share of profit less losses of a jointly-controlled entity		**(563)**	(729)
Share of profit less losses of associates		**(800)**	(500)
PROFIT BEFORE TAX	7	**90,534**	91,656
Income tax expense	10	**(9,859)**	(11,015)
PROFIT FOR THE YEAR		**80,675**	80,641
Attributable to:			
Ordinary equity holders of the Company	11	**83,115**	81,700
Minority interests		**(2,440)**	(1,059)
		80,675	80,641
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic		**HK12.5 cents**	HK12.7 cents
Diluted		**HK12.1 cents**	N/A

Details of the dividend are disclosed in note 12 to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
PROFIT FOR THE YEAR		**80,675**	80,641
OTHER COMPREHENSIVE INCOME/(EXPENSE)			
Exchange differences on translation of foreign operations		**(1,355)**	136,035
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**79,320**	216,676
Attributable to:			
Ordinary equity holders of the Company	11	**81,760**	217,735
Minority interests		**(2,440)**	(1,059)
		79,320	216,676

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2009

	Notes	**2009 HK$'000**	2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**1,444,534**	1,397,747
Prepaid land lease payments	15	**63,096**	63,458
Intangible assets	16	**2,580**	2,973
Interest in a jointly-controlled entity	18	**27,416**	10,941
Interests in associates	19	**300**	1,100
Deposits paid	20	**21,399**	21,436
Total non-current assets		**1,559,325**	1,497,655
CURRENT ASSETS			
Inventories	21	**520,992**	448,019
Accounts and bills receivable	22	**384,711**	459,337
Prepayments, deposits and other receivables		**31,090**	24,103
Equity investment at fair value through profit or loss	23	**573**	349
Derivative financial instruments	26	**2,314**	1,459
Due from minority shareholders	37(c)(ii)	**–**	20,258
Due from a jointly-controlled entity	18	**6,885**	–
Due from an associate	19	**3,287**	3,287
Tax recoverable		**45**	–
Pledged deposits	24	**40,382**	8,823
Cash and cash equivalents	24	**390,821**	137,539
Total current assets		**1,381,100**	1,103,174
CURRENT LIABILITIES			
Accounts and bills payable	25	**499,568**	312,017
Accrued liabilities and other payables		**83,992**	97,108
Derivative financial instruments	26	**15,436**	20,032
Loan from a minority shareholder	37(c)(i)	**8,000**	–
Tax payable		**26,272**	20,532
Bank advances for discounted bills	22	**–**	71,088
Interest-bearing bank and other borrowings	27	**662,159**	524,450
Total current liabilities		**1,295,427**	1,045,227

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
NET CURRENT ASSETS		**85,673**	57,947
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,644,998**	1,555,602
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	27	**156,893**	363,412
Deferred tax liabilities	29	**508**	766
Total non-current liabilities		**157,401**	364,178
Net assets		**1,487,597**	1,191,424
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital	30	**77,349**	64,458
Reserves	32(a)	**1,369,903**	1,083,661
		1,447,252	1,148,119
Minority interests		**40,345**	43,305
Total equity		**1,487,597**	1,191,424

Tai Chin Chun
Director

Tai Chin Wen
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2009

		Attributable to ordinary equity holders of the Company										
	Notes	Issued capital HK$'000	Share premium account HK$'000	Share option reserve HK$'000	Capital reserve HK$'000	Statutory surplus reserve HK$'000	Exchange fluctuation reserve HK'000	Warrant reserve HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 January 2009		64,458	128,877	21,237	104,804	30,506	228,069	–	570,168	1,148,119	43,305	1,191,424
Total comprehensive income for the year		–	–	–	–	–	(1,355)	–	83,115	81,760	(2,440)	79,320
Dividend paid to a minority shareholder		–	–	–	–	–	–	–	–	–	(520)	(520)
Issue of warrants	30	–	–	–	–	–	–	1,500	–	1,500	–	1,500
Issue of shares	30	12,891	200,589	–	–	–	–	–	–	213,480	–	213,480
Transfer to share premium account upon exercise of warrants	30	–	1,500	–	–	–	–	(1,500)	–	–	–	–
Share issue expenses	30	–	(4,068)	–	–	–	–	–	–	(4,068)	–	(4,068)
Transfer to share premium account upon exercise of share options	30	–	1,681	(1,681)	–	–	–	–	–	–	–	–
Equity-settled share option arrangements	31	–	–	6,461	–	–	–	–	–	6,461	–	6,461
Transfer to statutory surplus reserve		–	–	–	–	1,632	–	–	(1,632)	–	–	–
Transfer to retained profits		–	–	(17,422)	–	–	–	–	17,422	–	–	–
At 31 December 2009		77,349	328,579*	8,595*	104,804*	32,138*	226,714*	–*	669,073*	1,447,252	40,345	1,487,597

* These reserve accounts comprise the consolidated reserves of HK$1,369,903,000 (2008: HK$1,083,661,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 31 December 2009

		Attributable to ordinary equity holders of the Company									
	Notes	Issued capital HK$'000	Share premium account HK$'000	Share option reserve HK$'000	Capital reserve HK$'000	Statutory surplus reserve HK$'000	Exchange fluctuation reserve HK'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 January 2008		64,413	128,237	6,833	104,804	27,803	92,034	518,868	942,992	17,275	960,267
Total comprehensive income for the year		–	–	–	–	–	136,035	81,700	217,735	(1,059)	216,676
Final 2007 dividend declared		–	–	–	–	–	–	(27,698)	(27,698)	–	(27,698)
Contribution from minority shareholders		–	–	–	–	–	–	–	–	27,089	27,089
Issue of shares	30	45	537	–	–	–	–	–	582	–	582
Transfer to share premium account upon exercise of share options	30	–	103	(103)	–	–	–	–	–	–	–
Equity-settled share option arrangements	31	–	–	14,508	–	–	–	–	14,508	–	14,508
Transfer to statutory surplus reserve		–	–	–	–	2,703	–	(2,703)	–	–	–
Transfer to retained profits		–	–	(1)	–	–	–	1	–	–	–
At 31 December 2008		64,458	128,877*	21,237*	104,804*	30,506*	228,069*	570,168*	1,148,119	43,305	1,191,424

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**90,534**	91,656
Adjustments for:			
Share of profit less losses of a jointly-controlled entity		**563**	729
Share of profit less losses of associates		**800**	500
Bank interest income	5	**(631)**	(585)
Fair value (gains)/losses, net:			
Equity investment at fair value through profit or loss	5	**(224)**	354
Derivative financial instruments – transactions not qualified as hedges and matured during the year	5	**(8,155)**	(8,187)
Derivative financial instruments – transactions not qualified as hedges and not yet matured	5	**13,122**	18,573
Finance costs	6	**16,264**	29,627
Amortisation of bank charges on a syndicated loan	6	**1,188**	1,188
Depreciation of items of property, plant and equipment	7	**148,524**	126,156
Amortisation of prepaid land lease payments	7	**1,477**	1,440
Amortisation of intangible assets	7	**393**	384
Gain on disposal of items of property, plant and equipment	7	**(77)**	(45)
Impairment of accounts receivable	7	**134**	8,744
Write-back of impairment allowance for accounts receivable	7	**(3,362)**	(317)
Impairment of other receivable	7	**574**	–
Provision for a legal claim	7	**2,120**	–
Equity-settled share option expense	31	**6,461**	14,508
		269,705	284,725

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES (continued)			
Decrease/(increase) in inventories		**(72,973)**	43,131
Decrease/(increase) in accounts and bills receivable		**77,854**	(171,464)
Increase in prepayments, deposits and other receivables		**(7,524)**	(16,232)
Increase in an amount due from a jointly-controlled entity		**(6,885)**	–
Increase in an amount due from an associate		**–**	(3,287)
Decrease in amounts due from minority shareholders	33(b)	**68**	33
Increase in accounts and bills payable		**187,551**	79,737
Increase/(decrease) in accrued liabilities and other payables		**(15,236)**	36,977
Proceeds from/(purchase of) derivative financial instruments – transactions not qualifying as hedges		**(10,418)**	10,258
Cash generated from operations		**422,142**	263,878
Interest received		**631**	585
Interest paid		**(15,278)**	(28,444)
Interest element of finance lease rental payments		**(986)**	(1,183)
Hong Kong profits tax paid		**(134)**	(3,542)
Overseas taxes paid		**(4,288)**	(167)
Net cash flows from operating activities		**402,087**	231,127
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(173,989)**	(316,030)
Prepayment of land leases	15	**(1,217)**	–
Proceeds from disposal of items of property, plant and equipment	33(c)	**205**	1,424
Additions to intangible assets	16	**–**	(1,012)
Additions to deposits paid		**–**	(706)
Capital contribution to a jointly-controlled entity		**(17,038)**	(11,670)
Capital contribution to an associate		**–**	(1,600)
Decrease/(increase) in pledged time deposits		**(31,559)**	4,064
Contribution from minority shareholders	33(b)	**–**	6,899
Net cash flows used in investing activities		**(223,598)**	(318,631)

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase/(decrease) in bank advances for discounted bills		**(71,088)**	32,063
Proceeds from issue of shares	30	**213,480**	582
Proceeds from issue of warrants	30	**1,500**	–
Share issue expenses	30	**(4,068)**	–
Capital element of finance lease rental payments		**(25,801)**	(26,046)
Drawdown of bank loans		**1,510,574**	1,701,006
Repayment of bank loans		**(1,557,326)**	(1,583,206)
Advance of loan from a minority shareholder		**8,000**	–
Dividend paid		**–**	(27,698)
Dividend paid to a minority shareholder		**(520)**	–
Net cash flows from financing activities		**74,751**	96,701
NET INCREASE IN CASH AND CASH EQUIVALENTS		**253,240**	9,197
Cash and cash equivalents at beginning of year		**137,539**	113,182
Effect of foreign exchange rate changes, net		**42**	15,160
CASH AND CASH EQUIVALENTS AT END OF YEAR		**390,821**	137,539
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	**348,937**	137,539
Non-pledged time deposits with original maturity of less than three months when acquired		**41,884**	–
Cash and cash equivalents as stated in the statement of financial position and the statement of cash flows		**390,821**	137,539

STATEMENT OF FINANCIAL POSITION

31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	17	**402,285**	402,285
CURRENT ASSETS			
Prepayments		**105**	–
Due from subsidiaries	17	**450,834**	218,832
Cash and cash equivalents	24	**107,922**	293
Total current assets		**558,861**	219,125
CURRENT LIABILITIES			
Accrued liabilities and other payables		**142**	203
Due to a subsidiary	17	**78**	78
Total current liabilities		**220**	281
NET CURRENT ASSETS		**558,641**	218,844
Net assets		**960,926**	621,129
EQUITY			
Issued capital	30	**77,349**	64,458
Reserves	32(b)	**883,577**	556,671
Total equity		**960,926**	621,129

Tai Chin Chun
Director

Tai Chin Wen
Director

NOTES TO FINANCIAL STATEMENTS

31 December 2009

1. CORPORATE INFORMATION

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

The principal place of business of the Company is located at Units 1-9, 8/F, Lucida Industrial Building, 43-47 Wang Lung Street, Tsuen Wan, New Territories, Hong Kong. The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 17 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

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 (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for an equity investment and derivative financial instruments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 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. Income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2009

2.2 CHANGES IN ACCOUNTING POLICY 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 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
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* (adopted from 1 July 2009)
Improvements to HKFRSs (October 2008)**	Amendments to a number of HKFRSs

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2009

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(continued)*

Other than as further explained below regarding the impact of HKFRS 7 Amendments, HKFRS 8 and HKAS 1 (Revised), the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*

The HKFRS 7 Amendments require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by sources of inputs using a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balances is now required for level 3 fair value measurements, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in note 39 to the financial statements.

(b) 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 4 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(continued)*

(c) 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.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards* [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 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters* [4]
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]

NOTES TO FINANCIAL STATEMENTS

31 December 2009

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

HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* [3]
HKAS 39 Amendment	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 Operations – 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 removing inconsistencies and clarifying 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 36 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 but is not yet in a position to state whether these new and revised HKFRSs would have significant impact on its results of operations and financial position.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

SUBSIDIARIES

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

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

JOINT VENTURES

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

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

A joint venture is treated as:

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2009

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

JOINTLY-CONTROLLED ENTITY

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

The Group's interest in a jointly-controlled entity is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of a jointly-controlled entity is included in the consolidated income statement and consolidated reserves, respectively. Where the profit sharing ratio is different to the Group's equity interest, the share of post-acquisition results of the jointly-controlled entity is determined based on the agreed profit sharing ratio. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entity are eliminated to the extent of the Group's interest in the jointly-controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred.

ASSOCIATES

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2009

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

IMPAIRMENT OF NON-FINANCIAL ASSETS OTHER THAN GOODWILL

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

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

An assessment is made at 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 other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

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. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION *(continued)*

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

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

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

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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 sale proceeds and the carrying amount of the relevant asset.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2009

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

INTANGIBLE ASSETS (OTHER THAN GOODWILL)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Exploration licences and assets

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

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

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

INVENTORIES

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

NOTES TO FINANCIAL STATEMENTS

31 December 2009

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

LEASED ASSETS

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

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

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

INVESTMENTS AND OTHER FINANCIAL ASSETS

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as either financial assets at fair value through profit or loss, or loans and receivables, 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

INVESTMENTS AND OTHER FINANCIAL ASSETS *(continued)*

Initial recognition and measurement *(continued)*

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

The Group's financial assets include cash and bank balances, pledged deposits, accounts and bills receivable, other receivables, amounts due from minority shareholders and an associate, an equity investment and derivative financial instruments.

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the income statement. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policy set out for "Revenue recognition" below.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

INVESTMENTS AND OTHER FINANCIAL ASSETS *(continued)*

Subsequent measurement *(continued)*

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 and the loss arising from impairment are recognised in the income statement.

IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses at the 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

IMPAIRMENT OF FINANCIAL ASSETS *(continued)*

Financial assets carried at amortised cost *(continued)*

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 yet 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 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 and all collateral has been realised or has been transferred to the Group.

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. If a future write-off is later recovered, the recovery is credited to the income statement.

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) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

DERECOGNITION OF FINANCIAL ASSETS *(continued)*

When the Group has transferred its rights to receive cash flows from an asset or has entered into a 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 that 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, or loans and borrowings, 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 accounts and bills payable, other payables, interest-bearing bank and other borrowings, bank advances for discounted bills, derivative financial instruments and loan from a minority shareholder.

Subsequent measurement

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

NOTES TO FINANCIAL STATEMENTS

31 December 2009

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL LIABILITIES *(continued)*

Subsequent measurement *(continued)*

Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interest charged on these financial liabilities.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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 option pricing models.

BORROWING COSTS

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

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Initial recognition and subsequent measurement

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

Any gains or losses arising from changes in fair value of derivatives are taken directly to the income statement, except for the effective position of cash flow hedges, which is recognised in other comprehensive income.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING *(continued)*

Current versus non-current classification

Derivative instruments that are not designated and effective hedging instruments are classified as current or non-current or separated into a current or non-current portion based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistent with the classification of the underlying hedged item. The derivative instruments are separated into current and non-current portions only if a reliable allocation can be made.

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 statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

PROVISIONS

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

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the 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.

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2009

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

INCOME TAX *(continued)*

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

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

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

The carrying amount of deferred tax assets is reviewed at the end of the 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 the 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.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

REVENUE RECOGNITION

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

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

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

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

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

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

EMPLOYEE BENEFITS

Share-based payment transactions

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

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external professionally qualified valuer using the Binomial/Black-Scholes option pricing models, further details of which are given in note 31 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

EMPLOYEE BENEFITS *(continued)*

Share-based payment transactions *(continued)*

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

EMPLOYEE BENEFITS *(continued)*

Employment Ordinance long service payments

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

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

Pension schemes and other retirement benefits

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2009

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 the reporting period. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries and a jointly-controlled entity are currencies other than the Hong Kong dollar. As at the end of the 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 the 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 a separate component of equity. 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

RESEARCH AND DEVELOPMENT COSTS

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

JUDGEMENTS

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

Classification between investment properties and owner-occupied properties

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

NOTES TO FINANCIAL STATEMENTS

31 December 2009

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

JUDGEMENTS *(continued)*

Classification between investment properties and owner-occupied properties *(continued)*

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

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

Impairment of assets

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

NOTES TO FINANCIAL STATEMENTS

31 December 2009

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

JUDGEMENTS *(continued)*

Withholding taxes arising from the distributions of dividends

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

ESTIMATION UNCERTAINTY

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

Impairment allowance for accounts and bills receivable

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

Impairment of exploration licences and assets

The carrying value of exploration licences and assets is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with the accounting policy as disclosed in note 2.4 to the financial statements. The recoverable amount of these assets, or where appropriate, the cash-generating unit to which they belong, is the higher of its fair value less costs to sell and value in use. Estimating the value in use requires the Group to estimate the expected future cash flows from the cash-generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows. At 31 December 2009, the aggregate carrying value of exploration licences and assets was HK$2,580,000 (2008: HK$2,973,000) as set out in note 16 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

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

ESTIMATION UNCERTAINTY *(continued)*

Valuation of share options

The fair value of options granted under a share option scheme is determined using the Binomial Option Pricing model. The significant inputs into the model were the risk-free interest rate, expected life, expected volatility and expected dividend. When the actual results of the inputs differ from management's estimate, it will have an impact on the share option expenses and the related share option reserve of the Company.

4. 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:

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

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

(c) the "others" segment includes provision of air and ocean freight services and mining.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax.

Intersegment revenue and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

4. OPERATING SEGMENT INFORMATION *(continued)*

YEAR ENDED 31 DECEMBER 2009

	Fabric HK$'000	Garment HK$'000	Others HK$'000	Eliminations HK$'000	Total HK$'000
Segment revenue:					
Revenue from external customers	2,287,671	235,574	–	–	2,523,245
Intersegment revenue	40,735	51	–	(40,786)	–
Total revenue	2,328,406	235,625	–	(40,786)	2,523,245
Segment profits/(loss)	75,538	30,969	(283)	3,125	109,349
Finance costs	(17,176)	(228)	(48)	–	(17,452)
Share of profit less losses of a jointly-controlled entity	(563)	–	–	–	(563)
Share of profit less losses of associates	–	–	(800)	–	(800)
Profits/(loss) before tax	57,799	30,741	(1,131)	3,125	90,534
Income tax expense	(9,782)	–	(77)	–	(9,859)
Profits/(loss) for the year	48,017	30,741	(1,208)	3,125	80,675
Assets and liabilities					
Segment assets	2,864,067	131,043	11,137	(93,538)	2,912,709
Interest in a jointly-controlled entity	27,416	–	–	–	27,416
Interests in associates	–	–	300	–	300
Total assets	2,891,483	131,043	11,437	(93,538)	2,940,425
Segment liabilities	1,408,644	28,195	15,481	–	1,452,320
Deferred tax liabilities	508	–	–	–	508
Total liabilities	1,409,152	28,195	15,481	–	1,452,828

NOTES TO FINANCIAL STATEMENTS

31 December 2009

4. OPERATING SEGMENT INFORMATION *(continued)*

YEAR ENDED 31 DECEMBER 2009 *(continued)*

	Fabric HK$'000	Garment HK$'000	Others HK$'000	Total HK$'000
Other segment information:				
Depreciation and amortisation	146,609	3,290	495	150,394
Loss/(gain) on disposal of items of property, plant and equipment	(79)	2	–	(77)
Impairment of accounts receivable	11	–	123	134
Write-back of impairment allowance for accounts receivable	(1,157)	(2,205)	–	(3,362)
Impairment of other receivable	–	574	–	574
Provision for a legal claim	–	2,120	–	2,120
Capital expenditure*	214,451	564	–	215,015

* Capital expenditure consists of the additions of property, plant and equipment, the additions of prepaid land lease payments, and the capital contribution to a jointly-controlled entity during the year.

4. OPERATING SEGMENT INFORMATION *(continued)*

YEAR ENDED 31 DECEMBER 2008

	Fabric HK$'000	Garment HK$'000	Others HK$'000	Eliminations HK$'000	Total HK$'000
Segment revenue:					
Revenue from external customers	2,295,338	291,279	–	–	2,586,617
Intersegment revenue	69,681	18	–	(69,699)	–
Total revenue	2,365,019	291,297	–	(69,699)	2,586,617
Segment profits/(loss)	88,118	33,232	(982)	3,332	123,700
Finance costs	(30,577)	(236)	(2)	–	(30,815)
Share of profit less losses of a jointly-controlled entity	(729)	–	–	–	(729)
Share of profit less losses of associates	–	–	(500)	–	(500)
Profits/(loss) before tax	56,812	32,996	(1,484)	3,332	91,656
Income tax expense	(10,929)	–	(86)	–	(11,015)
Profits/(loss) for the year	45,883	32,996	(1,570)	3,332	80,641
Assets and liabilities					
Segment assets	2,558,139	120,425	6,888	(96,664)	2,588,788
Interest in a jointly-controlled entity	10,941	–	–	–	10,941
Interests in associates	–	–	1,100	–	1,100
Total assets	2,569,080	120,425	7,988	(96,664)	2,600,829
Segment liabilities	1,375,075	29,653	3,911	–	1,408,639
Deferred tax liabilities	766	–	–	–	766
Total liabilities	1,375,841	29,653	3,911	–	1,409,405

NOTES TO FINANCIAL STATEMENTS

31 December 2009

4. OPERATING SEGMENT INFORMATION *(continued)*

YEAR ENDED 31 DECEMBER 2008 *(continued)*

	Fabric HK$'000	Garment HK$'000	Others HK$'000	Total HK$'000
Other segment information:				
Depreciation and amortisation	124,213	3,280	487	127,980
Loss/(gain) on disposal of items of property, plant and equipment	(76)	31	–	(45)
Impairment of accounts receivable	5,038	3,706	–	8,744
Write-back of impairment allowance for accounts receivable	(317)	–	–	(317)
Write-off of accounts receivable	139	–	–	139
Capital expenditure*	374,766	4,785	2,619	382,170

* Capital expenditure consists of the additions of property, plant and equipment, the additions of intangible assets, and the capital contribution to a jointly-controlled entity and associates during the year ended 31 December 2008.

GEOGRAPHICAL INFORMATION

(a) Revenue from external customers

	2009 HK$'000	2008 HK$'000
Singapore	**978,025**	1,075,374
Hong Kong	**399,507**	360,736
Mainland China	**289,262**	266,729
Korea	**250,274**	119,553
Taiwan	**243,245**	257,337
United States of America	**173,530**	251,089
Others	**189,402**	255,799
	2,523,245	2,586,617

The revenue information above is based on the location of the customers.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

4. OPERATING SEGMENT INFORMATION *(continued)*

GEOGRAPHICAL INFORMATION *(continued)*

(b) Non-current assets

	2009	2008
	HK$'000	HK$'000
Mainland China	**1,498,765**	1,443,212
Hong Kong	**35,801**	26,575
Madagascar	**23,854**	27,549
Singapore	**116**	74
Others	**789**	245
	1,559,325	1,497,655

The non-current asset information above is based on the location of assets.

INFORMATION ABOUT A MAJOR CUSTOMER

Revenue of approximately HK$359,953,000 (2008: HK$318,501,000) was derived from sales by the fabric products segment and subcontracting services rendered by the garment products segment to a single customer, including sales to a group of entities which are known to be under common control with that customer.

5. REVENUE, OTHER INCOME AND GAINS, NET

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and services rendered by the Group.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

5. REVENUE, OTHER INCOME AND GAINS, NET *(continued)*

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

	Note	2009 HK$'000	2008 HK$'000
Revenue			
Production and sale of knitted fabric, dyed yarn and provision of related subcontracting services		**2,287,671**	2,295,338
Production and sale of garment products and provision of related subcontracting services		**235,574**	291,279
		2,523,245	2,586,617
Other income			
Fee income from freight handling services		**3,183**	3,119
Bank interest income		**631**	585
Gross rental income		**535**	605
Others		**16,330**	16,916
		20,679	21,225
Gains, net			
Fair value gains/(losses), net:			
Equity investment at fair value through profit or loss – held for trading	7	**224**	(354)
Derivative financial instruments – transactions not qualified as hedges and matured during the year	7	**8,155**	8,187
Derivative financial instruments – transactions not qualified as hedges and not yet matured	7	**(13,122)**	(18,573)
		(4,743)	(10,740)
Other income and gains, net		**15,936**	10,485

NOTES TO FINANCIAL STATEMENTS

31 December 2009

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Interest on bank loans and overdrafts wholly repayable within five years	**15,278**	28,444
Interest on finance leases	**986**	1,183
Amortisation of bank charges on a syndicated loan	**1,188**	1,188
	17,452	30,815

7. PROFIT BEFORE TAX

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

		2009	2008
	Notes	**HK$'000**	HK$'000
Cost of inventories sold and services provided		**2,082,346**	2,104,285
Auditors' remuneration		**2,088**	1,880
Research and development costs		**5,392**	4,987
Depreciation of items of property, plant and equipment	14	**148,524**	126,156
Amortisation of prepaid land lease payments	15	**1,477**	1,440
Amortisation of intangible assets	16	**393**	384
Employee benefits expense (excluding directors' remuneration – note 8):			
Wages and salaries		**231,156**	199,358
Equity-settled share option expense		**6,461**	14,508
Pension scheme contributions		**11,142**	9,731
		248,759	223,597

NOTES TO FINANCIAL STATEMENTS

31 December 2009

7. PROFIT BEFORE TAX *(continued)*

	Notes	**2009** **HK$'000**	2008 HK$'000
Minimum lease payments under operating leases in respect of land and buildings		**5,614**	4,678
Gain on disposal of items of property, plant and equipment		**(77)**	(45)
Impairment of accounts receivable	22	**134**	8,744
Write-back of impairment allowance for accounts receivable	22	**(3,362)**	(317)
Write-off of accounts receivable		**–**	139
Impairment of other receivable		**574**	–
Provision for a legal claim	41	**2,120**	–
Fair value losses/(gains), net			
Equity investment at fair value through profit or loss – held for trading		**(224)**	354
Derivative financial instruments – transactions not qualified as hedges and matured during the year		**(8,155)**	(8,187)
Derivative financial instruments – transactions not qualified for hedges and not yet matured		**13,122**	18,573
Foreign exchange differences, net		**(385)**	3,379

The cost of inventories sold and services provided includes depreciation and staff costs of HK$296,255,000 for the year ended 31 December 2009 (2008: HK$256,311,000), which is also included in the respective total amounts disclosed separately above.

The research and development costs include depreciation and staff costs of HK$4,875,000 for the year ended 31 December 2009 (2008: HK$4,341,000), which is also included in the respective total amounts disclosed separately above.

At 31 December 2009, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2008: Nil).

NOTES TO FINANCIAL STATEMENTS

31 December 2009

8. DIRECTORS' REMUNERATION

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

	Group	
	2009 HK$'000	2008 HK$'000
Fees	**645**	630
Other emoluments:		
Salaries, allowances and benefits in kind	**11,319**	8,106
Discretionary bonuses	**1,808**	3,186
Pension scheme contributions	**103**	94
	13,230	11,386
	13,875	12,016

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2009					
Executive directors:					
Tai Chin Chun	–	2,850	1,108	12	3,970
Tai Chin Wen	–	2,280	700	12	2,992
Cheung So Wan	–	1,400	–	12	1,412
Wong Siu Yuk	–	1,400	–	12	1,412
Chong Chau Lam	–	1,739	–	12	1,751
Wong Wai Kong, Elmen	–	1,650	–	12	1,662
Non-executive director:					
Lee Cheuk Yin, Dannis	105	–	–	4	109
Independent non-executive directors:					
Chu Hak Ha, Mimi	180	–	–	9	189
Chan Yuk Tong, Jimmy	180	–	–	9	189
Chan Chung Yuen, Lawrence	180	–	–	9	189
Total	645	11,319	1,808	103	13,875

NOTES TO FINANCIAL STATEMENTS

31 December 2009

8. DIRECTORS' REMUNERATION *(continued)*

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

Mr. Wong Wai Kong, Elmen was appointed as an executive director of the Company on 1 October 2008, and the salaries, allowances and benefits in kind including the equity-settled share option expense paid to him in the capacity as an employee of the Group have not been included as part of his director remuneration for the year ended 31 December 2008.

On 1 July 2008, Mr. Ku Shiu Kuen, Anthony resigned as an independent non-executive director of the Company.

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included five (2008: two) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three non-director, highest paid employees for the year ended 31 December 2008 were as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**–**	2,799
Discretionary bonuses	**–**	–
Equity-settled share option expense	**–**	5,092
Pension scheme contributions	**–**	24
	–	7,915

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

	Number of employees	
	2009	2008
Nil to HK$1,000,000	–	–
HK$1,000,001 to HK$1,500,000	–	–
HK$1,500,001 to HK$2,000,000	–	–
HK$2,000,001 to HK$2,500,000	–	2
HK$2,500,001 to HK$3,000,000	–	1
	–	3

One of the non-director, highest paid employees for the year ended 31 December 2008 was appointed as an executive director of the Company during the year ended 31 December 2008, and the salaries, allowances and benefits in kind paid to him in the capacity as a director of the Company, which are disclosed in note 8 to the financial statements, had been included as part of his remuneration as one of the non-director, highest paid employees of the Group for the year ended 31 December 2008.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

9. FIVE HIGHEST PAID EMPLOYEES *(continued)*

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

In the prior year, share options were granted to three non-director, highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 31 to the financial statements. The fair value of such options, which had been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the year ended 31 December 2008 was included in the above non-director, highest paid employees' remuneration disclosures.

10. INCOME TAX

	Group	
	2009	2008
	HK$'000	HK$'000
Current tax – Hong Kong		
Charge for the year	**3,466**	6,578
Overprovision in prior years	**(391)**	(127)
Current tax – Elsewhere		
Charge for the year	**7,048**	3,475
Under/(over) provision in prior years	**(6)**	1,035
Deferred tax charge/(credit) (note 29)	**(258)**	54
Total tax charge for the year	**9,859**	11,015

Hong Kong profits tax has been provided on the estimated assessable profits arising in Hong Kong at the rate of 16.5% (2008: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

The Group has estimated tax losses arising in Hong Kong of HK$12,670,000 (2008: HK$11,013,000) that are available indefinitely for offsetting against future taxable profits of the Company and the respective subsidiaries. No deferred tax assets have been recognised in respect of these losses as the directors consider it is not probable that future taxable profit will be available against which these tax losses can be utilised.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

10. INCOME TAX *(continued)*

Pursuant to the Corporate Income Tax Law of the People's Republic of China (the "PRC") being effective on 1 January 2008, the corporate income tax rate is unified to 25% for all enterprises in Mainland China.

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

During the year, Guangzhou Kam Sing Textile and Dyeing Company Limited ("Kam Sing") and En Ping Kam Hing Textile and Dyeing Co. Ltd. ("En Ping KH"), wholly-owned PRC subsidiaries of the Company, were entitled to a 50% reduction in and exemption from corporate income tax in the PRC, respectively. The applicable tax rate of Kam Sing, after the 50% reduction, was 12.5%.

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

Group – 2009

	Hong Kong HK$'000	Mainalnd China HK$'000	Others HK$'000	Total HK$'000
Profit before tax	6,458	51,535	32,541	90,534
Tax at the statutory tax rate	1,066	12,884	3,304	17,254
Lower tax rate enacted by local authority	–	(3,710)	(43)	(3,753)
Profit less losses attributable to a jointly-controlled entity and associates	225	–	–	225
Adjustments in respect of current tax of prior years	(391)	–	(6)	(397)
Lower tax rate due to tax holiday	–	–	(3,163)	(3,163)
Income not subject to tax	(557)	(6,182)	(17)	(6,756)
Expenses not deductible for tax	2,981	1,235	48	4,264
Tax losses not recognised	–	2,137	4	2,141
Others	(513)	559	(2)	44
Tax charge at the Group's effective rate	2,811	6,923	125	9,859

NOTES TO FINANCIAL STATEMENTS

31 December 2009

10. INCOME TAX *(continued)*

Group – 2008

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

11. PROFIT ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to ordinary equity holders of the Company for the year ended 31 December 2009 includes a profit of HK$122,424,000 (2008: HK$4,475,000) which has been dealt with in the financial statements of the Company (note 32(b)).

12. DIVIDEND

	2009 HK$'000	2008 HK$'000
Proposed final – HK2.5 cents per ordinary share (2008: Nil)	**20,088**	–

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

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

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company of HK$83,115,000 (2008: HK$81,700,000) and the weighted average of 667,304,233 (2008: 644,529,000) ordinary shares deemed to have been in issue during the year.

During the year, the calculation of diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK$83,115,000. 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 earnings per share amounts presented for the year ended 31 December 2008 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

The calculations of basic and diluted earnings per share are based on:

	2009 HK$'000
Earnings	
Profit attributable to ordinary equity holders of the Company	**83,115**

	Number of shares 2009
Shares	
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**667,304,233**
Effect of dilution – weighted average number of ordinary shares:	
Share options	**15,895,506**
Warrants	**1,410,648**
	684,610,387

NOTES TO FINANCIAL STATEMENTS

31 December 2009

14. PROPERTY, PLANT AND EQUIPMENT

GROUP

	Land and buildings HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2009						
Cost:						
At 1 January 2009	**243,026**	**1,224,397**	**56,092**	**22,655**	**435,507**	**1,981,677**
Additions	**668**	**26,352**	**2,384**	**3,279**	**164,077**	**196,760**
Disposals	**–**	**–**	**(90)**	**(975)**	**–**	**(1,065)**
Transfers	**94,397**	**400,733**	**597**	**–**	**(495,727)**	**–**
Exchange realignment	**(499)**	**(917)**	**(47)**	**(54)**	**–**	**(1,517)**
At 31 December 2009	**337,592**	**1,650,565**	**58,936**	**24,905**	**103,857**	**2,175,855**
Accumulated depreciation:						
At 1 January 2009	**54,644**	**473,296**	**41,194**	**14,796**	**–**	**583,930**
Charge for the year	**14,556**	**122,766**	**8,056**	**3,146**	**–**	**148,524**
Disposals	**–**	**–**	**(45)**	**(866)**	**–**	**(911)**
Exchange realignment	**(51)**	**(138)**	**(17)**	**(16)**	**–**	**(222)**
At 31 December 2009	**69,149**	**595,924**	**49,188**	**17,060**	**–**	**731,321**
Net book value:						
At 31 December 2009	**268,443**	**1,054,641**	**9,748**	**7,845**	**103,857**	**1,444,534**
31 December 2008						
Cost:						
At 1 January 2008	219,325	1,037,306	49,543	17,120	138,934	1,462,228
Additions	–	65,572	2,473	5,448	294,395	367,888
Disposals	–	(9,646)	(2)	(938)	–	(10,586)
Transfers	–	14,133	34	–	(14,167)	–
Exchange realignment	23,701	117,032	4,044	1,025	16,345	162,147
At 31 December 2008	243,026	1,224,397	56,092	22,655	435,507	1,981,677
Accumulated depreciation:						
At 1 January 2008	38,068	338,420	30,640	11,596	–	418,724
Charge for the year	12,008	103,507	7,921	2,720	–	126,156
Disposals	–	(8,910)	–	(297)	–	(9,207)
Exchange realignment	4,568	40,279	2,633	777	–	48,257
At 31 December 2008	54,644	473,296	41,194	14,796	–	583,930
Net book value:						
At 31 December 2008	188,382	751,101	14,898	7,859	435,507	1,397,747

NOTES TO FINANCIAL STATEMENTS

31 December 2009

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

GROUP *(continued)*

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

	2009	2008
	HK$'000	HK$'000
Medium-term leases		
– in Hong Kong	**2,256**	1,741
– outside Hong Kong	**266,187**	186,641
	268,443	188,382

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

	2009	2008
	HK$'000	HK$'000
Plant and machinery	**63,225**	119,938
Furniture, fixtures and office equipment	**39**	106
Motor vehicles	**483**	398
	63,747	120,442

As at 31 December 2009, the Group was in the process of applying the building ownership certificates in respect of certain self-used properties with net book value of HK$14.2 million (2008: HK$15.8 million) and HK$92 million (2008: Nil) situated in Panyu, the PRC and En Ping, the PRC, respectively. The Company's directors confirmed that, based on the advice from the Company's legal counsel, as the Group has properly obtained the land use right certificates in respect of the land on which the aforementioned self-used properties are located, there is no legal barrier or otherwise for the Group to obtain the building ownership certificates from the relevant Mainland China authority.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

15. PREPAID LAND LEASE PAYMENTS

	Group	
	2009	2008
	HK$'000	HK$'000
Carrying amount at 1 January	**64,898**	59,593
Prepaid during the year	**1,217**	–
Amortised during the year	**(1,477)**	(1,440)
Exchange realignment	**(65)**	6,745
Carrying amount at 31 December	**64,573**	64,898
Current portion included in prepayments, deposits and other receivables	**(1,477)**	(1,440)
Non-current portion	**63,096**	63,458

The Group's prepaid land lease payments comprise:

	Group	
	2009	2008
Land outside Hong Kong:		
Long-term lease	**1,169**	1,247
Medium-term leases	**63,404**	63,651
	64,573	64,898

NOTES TO FINANCIAL STATEMENTS

31 December 2009

16. INTANGIBLE ASSETS

GROUP

	Exploration licences and assets	
	2009	2008
	HK$'000	HK$'000
Cost at 1 January, net of accumulated amortisation	**2,973**	2,105
Additions	**–**	1,012
Amortisation provided during the year	**(393)**	(384)
Exchange realignment	**–**	240
At 31 December	**2,580**	2,973
At 31 December:		
Cost	**3,365**	3,365
Accumulated amortisation	**(785)**	(392)
Net carrying amount	**2,580**	2,973

17. INTERESTS IN SUBSIDIARIES

	Company	
	2009	2008
	HK$'000	HK$'000
Unlisted investments, at cost	**402,285**	402,285

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities of HK$450,834,000 (2008: HK$218,832,000) and HK$78,000 (2008: HK$78,000), respectively, are unsecured, interest-free and have no fixed terms of repayment.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

17. INTERESTS IN SUBSIDIARIES *(continued)*

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

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ paid-up capital	Percentage of equity attributable to the Company	Principal activities
Directly held:				
Joint Result Holdings Limited ("Joint Result")*	BVI/ Hong Kong	US$10,000	100	Investment holding
Kam Hing International Limited*	BVI/ Hong Kong	US$10,000	100	Investment holding
Indirectly held:				
Highkeen Enterprises Limited*	BVI/ Hong Kong	US$1,000	100	Investment holding
Kam Hing Textile (International) Limited ("KH Textile")	Hong Kong	Ordinary HK$2 Non-voting deferred HK$10,000,000 (Note (a))	100	Investment holding
Strong View International Limited	BVI/ Hong Kong	US$400,000	65	Investment holding and provision of customer services
Kam Wing International Textile Company Limited	Hong Kong	HK$107,500,000	60	Investment holding and trading of finished fabrics

NOTES TO FINANCIAL STATEMENTS

31 December 2009

17. INTERESTS IN SUBSIDIARIES *(continued)*

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

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ paid-up capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held: *(continued)*				
Guangzhou Kwok Hing Garment Limited ("Kwok Hing GZ")*	PRC/Mainland China	HK$10,000,000 (Note (b))	100	Manufacture and trading of garment products
Kam Hing Madagascar*	Madagascar	Malagasy Ariary ("MGA") 10,000,000	100	Manufacture and trading of garment products
Kwok Hing Garment Madagascar*	Madagascar	MGA100,000,000	100	Manufacture and trading of garment products
En Ping KH*	PRC/Mainland China	US$11,822,000 (Note (c))	100	Manufacture and trading of knitted and dyed fabrics
En Ping Kam Lap Textile and Dyeing Co. Ltd. ("En Ping KL")*	PRC/Mainland China	US$7,011,000 (Note (d))	60	Manufacture and trading of knitted and dyed fabrics
Kam Sing*	PRC/Mainland China	HK$6,000,000 (Note (e))	100	Manufacture and trading of knitted and dyed fabrics

NOTES TO FINANCIAL STATEMENTS

31 December 2009

17. INTERESTS IN SUBSIDIARIES *(continued)*

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

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ paid-up capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held: *(continued)*				
Guangzhou Kamhing Textile Dyeing Co., Ltd. ("Guangzhou KH")*	PRC/Mainland China	US$97,610,000 (Note (f))	100	Manufacture and trading of knitted and dyed fabrics
Guangxi Kam Hing Mining Company Limited ("Guangxi Mining")*	PRC/ Mainland China	HK$2,000,000 (Note (g))	100	Mining investment and exploration and exploitation for natural resources
Kam Hing Mining Madagascar*	Madagascar	MGA100,000,000	100	Mining investment and exploration and exploitation for natural resources
Sparkle Logistics Limited	Hong Kong	HK$3,800,000	92	Provision of air and ocean freight services
Kam Hing Korea Limited*	Korea	WON50,000,000	65	Provision of customer services
Kam Hing Piece Works (S) Pte Limited*	Singapore	S$100,000	100	Provision of customer services

NOTES TO FINANCIAL STATEMENTS

31 December 2009

17. INTERESTS IN SUBSIDIARIES *(continued)*

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

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ paid-up capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held: *(continued)*				
Guangzhou Kam Yam Garment Design Co. Ltd. ("Kam Yam")*	PRC/ Mainland China	HK$400,000 (Note (h))	100	Provision of knitting and dyeing services and trading of finished fabrics
Guangzhou Gong Zhan Plastic Products Limited ("Gong Zhan")*#	PRC/ Mainland China	HK$500,000 (Note (i))	100	Manufacture and trading of plastic products
Kam Hing Textile Macao Commercial Offshore Company Limited	Macau	Pataca 100,000	100	Sourcing agent and trading of varns and dyeing materials
Kam Hing Piece Works Limited ("KH Piece Works")	Hong Kong	Ordinary HK$2 Non-voting deferred HK$1,000,010 (Note (a))	100	Trading of finished fabrics
Kam Hing Global Garment Company Limited	Hong Kong	HK$10,000,000	100	Trading of garment products

NOTES TO FINANCIAL STATEMENTS

31 December 2009

17. INTERESTS IN SUBSIDIARIES *(continued)*

Notes:

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

(b) Kwok Hing GZ is registered as a wholly-foreign-owned enterprise under the PRC law with an operating period of 20 years commencing from 30 March 2007. The registered capital of Kwok Hing GZ amounted to HK$10,000,000, which had been fully paid up during the current year.

(c) En Ping KH is registered as a wholly-foreign-owned enterprise under the PRC law with an operating period of 20 years commencing from 27 April 2005. The registered capital of En Ping KH amounted to US$75,000,000 and the remaining unpaid capital contribution of US$63,178,000 (equivalent to approximately HK$491,525,000) was included as capital commitments at 31 December 2009 as disclosed in note 36 to the financial statements.

(d) En Ping KL is registered as a wholly-foreign-owned enterprise under the PRC law with an operating period of 20 years commencing from 8 June 2007. The registered capital of En Ping KL amounted to US$12,000,000. The remaining unpaid capital contribution of US$4,989,000 (equivalent to approximately HK$38,814,000) was included as capital commitments at 31 December 2009 as disclosed in note 36 to the financial statements.

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

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

(g) Guangxi Mining is registered as a wholly-foreign-owned enterprise under the PRC law with an operating period of 20 years commencing from 5 November 2007. The registered capital of Guangxi Mining amounted to HK$10,000,000 and the remaining unpaid capital contribution of HK$8,000,000 was included as capital commitments at 31 December 2009 as disclosed in note 36 to the financial statements.

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

(i) Gong Zhan is registered as a wholly-foreign-owned enterprise under the PRC law with an operating period of 20 years commencing from 28 July 2009. The registered capital of Gong Zhan amounted to HK$500,000, which had been fully paid up during the current year.

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

\# Subsidiary established during the current year.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2009

18. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	Group	
	2009	2008
	HK$'000	HK$'000
Share of net assets	**27,416**	10,941

The amount due from the jointly-controlled entity included in the Group's current assets of HK$6,885,000 (2008: Nil), which represents prepayments for purchases, is unsecured, interest-free and has no fixed terms of repayment. As at 31 December 2008, the Group's trade payable balance due to the jointly-controlled entity was disclosed in note 25 to the financial statements.

Particulars of the jointly-controlled entity are as follows:

Name	Particulars of registered shares	Place of registration and operations	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Honghu Xing Ye Textile Co. Ltd. ("Honghu")#	Registered share capital of Renminbi ("RMB") 130,000,000	PRC/ Mainland China	32.5*	40	25	Manufacture and trading of cotton spinning

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

* During the year ended 31 December 2008, KH Textile has entered into a cooperation agreement with a company registered in the PRC (the "PRC JV partner") to setup Honghu of which 25% and 75% equity interests are held by the Company and the PRC JV partner, respectively. As at 31 December 2009, KH Textile has contributed RMB25,352,000 to the paid-up capital of Honghu, representing 32.5% equity interest of Honghu, and the remaining unpaid capital contribution of RMB7,148,000 (equivalent to approximately HK$8,409,000) was included as capital commitments at 31 December 2009 as disclosed in note 36 to the financial statements.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2009

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

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

	2009	2008
	HK$'000	HK$'000
Share of the jointly-controlled entity's assets and liabilities:		
Current assets	**10,233**	6,145
Non-current assets	**32,539**	12,827
Current liabilities	**(15,356)**	(8,031)
Net assets	**27,416**	10,941
Share of the jointly-controlled entity's results:		
Revenue	**26,105**	16,067
Total expenses	**(26,668)**	(16,796)
Loss after tax	**(563)**	(729)

19. INTERESTS IN ASSOCIATES

	Group	
	2009	2008
	HK$'000	HK$'000
Share of net assets	**300**	1,100

The amount due from an associate included in the Group's current assets of HK$3,287,000 (2008: HK$3,287,000) is unsecured, interest-free and has no fixed terms of repayment.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

19. INTERESTS IN ASSOCIATES *(continued)*

Particulars of the associates are as follows:

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

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

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

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

	Group	
	2009	2008
	HK$'000	HK$'000
Assets	**17,754**	23,296
Liabilities	**(16,181)**	(17,673)
Loss	**(4,051)**	(2,198)

As at 31 December 2009, the Group had a commitment in respect of capital contribution of US$10 million (approximately HK$77.8 million) (2008: Nil) for an associate engaging in a mining project in Soalala, Madagascar, Africa.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

20. DEPOSITS PAID

	Group	
	2009	2008
	HK$'000	HK$'000
Deposits paid for acquisition of:		
Mining and exploration rights	**669**	706
Land use rights	**20,730**	20,730
	21,399	21,436

21. INVENTORIES

	Group	
	2009	2008
	HK$'000	HK$'000
Raw materials	**310,221**	255,756
Work in progress	**110,209**	103,641
Finished goods	**100,562**	88,622
	520,992	448,019

22. ACCOUNTS AND BILLS RECEIVABLE

	Group	
	2009	2008
	HK$'000	HK$'000
Accounts and bills receivable	**391,528**	469,382
Impairment	**(6,817)**	(10,045)
	384,711	459,337

NOTES TO FINANCIAL STATEMENTS

31 December 2009

22. ACCOUNTS AND BILLS RECEIVABLE *(continued)*

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

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

	Group	
	2009	2008
	HK$'000	HK$'000
Within 1 month	**159,956**	203,326
1 to 2 months	**105,647**	103,605
2 to 3 months	**85,085**	108,949
Over 3 months	**34,023**	43,457
	384,711	459,337

Included in the above accounts and bills receivable as at 31 December 2008, amounts totalling HK$71,088,000 were discounted to banks in exchange for cash and included as "Bank advances for discounted bills" on the face of the consolidated statement of financial position.

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

	Group	
	2009	2008
	HK$'000	HK$'000
At 1 January	**10,045**	1,618
Impairment losses recognised (note 7)	**134**	8,744
Write-back of impairment losses (note 7)	**(3,362)**	(317)
At 31 December	**6,817**	10,045

NOTES TO FINANCIAL STATEMENTS

31 December 2009

22. ACCOUNTS AND BILLS RECEIVABLE *(continued)*

Included in the above impairment allowance for accounts and bills receivable is an allowance for individually impaired accounts receivable of HK$6,817,000 (2008: HK$10,045,000) with a carrying amount before impairment allowance of HK$6,817,000 (2008: HK$10,882,000). The individually impaired accounts receivable relate to customers that were in default or delinquency in payments and only a portion of the receivable is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

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

	Group	
	2009	2008
	HK$'000	HK$'000
Neither past due nor impaired	**210,275**	237,722
Less than 1 month past due	**83,207**	157,568
1 to 6 months past due	**88,284**	63,210
Over 6 months past due	**2,945**	–
	384,711	458,500

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

NOTES TO FINANCIAL STATEMENTS

31 December 2009

23. EQUITY INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2009	2008
	HK$'000	HK$'000
Equity investment listed outside Hong Kong, at market value	**573**	349

The above equity investment was classified as held for trading at 31 December 2009 and 2008.

24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

		Group		Company	
		2009	2008	**2009**	2008
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Cash and bank balances		**348,937**	137,539	**107,922**	293
Time deposits		**82,266**	8,823	**–**	–
		431,203	146,362	**107,922**	293
Less: Pledged time deposits for banking facilities	27	**(40,382)**	(8,823)	**–**	–
Cash and cash equivalents		**390,821**	137,539	**107,922**	293

As at 31 December 2009, the cash and bank balances of the Group denominated in RMB amounted to approximately HK$74,971,000 (2008: HK$41,793,000). RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2009

25. ACCOUNTS AND BILLS PAYABLE

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

	Group	
	2009	2008
	HK$'000	HK$'000
Within 3 months	**419,949**	239,918
3 to 6 months	**79,220**	69,532
6 to 12 months	**130**	2,436
Over 1 year	**269**	131
	499,568	312,017

As at 31 December 2008, included in the trade and bills payable were trade payable of HK$1,711,000 due to a jointly-controlled entity which were repayable within two months, which represented similar credit terms to those offered by the jointly-controlled entity to its major customers.

The accounts and bills payable are non-interest-bearing and are normally settled on terms of two to four months.

26. DERIVATIVE FINANCIAL INSTRUMENTS

	Assets		Liabilities	
	2009	2008	**2009**	2008
Group	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Forward currency contracts	**2,314**	1,459	**530**	8,029
Interest rate swaps	**–**	–	**14,906**	12,003
	2,314	1,459	**15,436**	20,032

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

NOTES TO FINANCIAL STATEMENTS

31 December 2009

26. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

The Group has entered into various forward currency contracts and interest rate swaps to manage its exchange rate and interest rate exposures which did not meet the criteria for hedge accounting. Changes in the fair value of non-hedging currency derivatives amounting to HK$4,967,000 (2008: HK$10,386,000) were charged to the income statement during the year.

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

GROUP

	2009			2008		
	Effective interest rate (%)	**Maturity**	**HK$'000**	Effective interest rate (%)	Maturity	HK$'000
Current						
Finance lease payables (note 28)	**1.5 - 10.9**	**2010**	**15,260**	2.9 - 11.2	2009	25,249
Bank loans – unsecured	**Weighted average of HIBOR/LIBOR/ SIBOR/PBOC + 0.68 to 2.59**	**2010**	**646,899**	Weighted average of HIBOR/LIBOR/ SIBOR/PBOC + 0.5 to 1.75	2009	499,201
			662,159			524,450
Non-current						
Finance lease payables (note 28)	**1.5 - 8.4**	**2011 - 2013**	**24,015**	2.9 - 10.9	2010 - 2012	37,272
Bank loans – unsecured	**HIBOR + 0.68 to 2.25**	**2011 - 2013**	**132,878**	HIBOR + 0.68 to 1.5	2010 - 2012	326,140
			156,893			363,412
			819,052			887,862

NOTES TO FINANCIAL STATEMENTS

31 December 2009

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

	Group	
	2009	2008
	HK$'000	HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**646,899**	499,201
In the second year	**115,203**	184,712
In the third to fifth years, inclusive	**17,675**	141,428
	779,777	825,341
Finance lease payables:		
Within one year or on demand	**15,260**	25,249
In the second year	**13,789**	14,574
In the third to fifth years, inclusive	**10,226**	22,698
	39,275	62,521
	819,052	887,862

As at 31 December 2009, the Group's banking facilities were secured by the Group's pledged bank deposits of HK$40,382,000 (2008: HK$8,823,000) (note 24), and were supported by corporate guarantees executed by the Company and certain subsidiaries of the Company.

As at 31 December 2009, the finance lease payables were secured by corporate guarantees executed by the Company and/or certain subsidiaries of the Company and the underlying property, plant and equipment (note 28).

As at 31 December 2009, except for the bank loans of HK$105,882,000 (2008: HK$11,765,000) and HK$205,641,000 (2008: HK$117,320,000) which were denominated in RMB and US$, respectively, all borrowings were denominated in Hong Kong dollars.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2009

28. FINANCE LEASE PAYABLES

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

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

Group	**Minimum lease payments**		**Present value of minimum lease payments**	
	2009 **HK$'000**	2008 HK$'000	**2009** **HK$'000**	2008 HK$'000
Amounts payable:				
Within one year	**15,725**	26,792	**15,260**	25,249
In the second year	**14,041**	15,513	**13,789**	14,574
In the third to fifth years, inclusive	**10,311**	23,336	**10,226**	22,698
Total minimum finance lease payments	**40,077**	65,641	**39,275**	62,521
Future finance charges	**(802)**	(3,120)		
Total net finance lease payables	**39,275**	62,521		
Portion classified as current liabilities (note 27)	**(15,260)**	(25,249)		
Non-current portion (note 27)	**24,015**	37,272		

At 31 December 2009, the finance lease payables were secured by corporate guarantees executed by the Company and/or certain subsidiaries of the Company and the underlying property, plant and equipment.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

29. DEFERRED TAX

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

DEFERRED TAX LIABILITIES

	Depreciation allowance in excess of related depreciation	
	2009	2008
	HK$'000	HK$'000
At 1 January	**766**	712
Deferred tax charged/(credited) to the income statement during the year (note 10)	**(258)**	54
At 31 December	**508**	766

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

At 31 December 2009, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China totalled approximately HK$44,261,000 (2008: HK$23,989,000) at 31 December 2009, for which the related deferred tax liabilities of approximately HK$2,213,000 (2008: HK$1,199,000) have not been recognised.

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

30. SHARE CAPITAL

	2009	2008
	HK$'000	HK$'000
Authorised:		
2,000,000,000 (2008: 2,000,000,000) ordinary shares of HK$0.1 each	**200,000**	200,000
Issued and fully paid:		
773,489,000 (2008: 644,583,000) ordinary shares of HK$0.1 each	**77,349**	64,458

A summary of the movements during the year in the Company's issued share capital is as follows:

	Notes	**Number of shares in issue**	**Issued capital** HK$'000	**Share premium account** HK$'000	**Total** HK$'000
At 1 January 2008		644,128,000	64,413	128,237	192,650
Share options exercised		455,000	45	537	582
		644,583,000	64,458	128,774	193,232
Transfer from share option reserve		–	–	103	103
At 31 December 2008 and 1 January 2009		644,583,000	64,458	128,877	193,335
Share options exercised	(a)	7,406,000	741	8,739	9,480
Placement of new shares	(b), (c)	91,500,000	9,150	149,850	159,000
Warrants exercised	(d)	30,000,000	3,000	42,000	45,000
		128,906,000	12,891	200,589	213,480
		773,489,000	77,349	329,466	406,815
Share issue expenses		–	–	(4,068)	(4,068)
Transfer from share option reserve		–	–	1,681	1,681
Transfer from warrant reserve		–	–	1,500	1,500
At 31 December 2009		773,489,000	77,349	328,579	405,928

NOTES TO FINANCIAL STATEMENTS

31 December 2009

30. SHARE CAPITAL *(continued)*

Notes:

(a) During the year, the subscription rights attaching to 7,406,000 share options were exercised at the subscription price of HK$1.28 per share (note 31), resulting in the issue of 7,406,000 shares of HK$0.1 each for a total cash consideration, before related issuance expenses, of approximately HK$9,480,000.

(b) On 10 August 2009, Exceed Standard and independent subscribers (the "Subscribers") entered into shares placing agreements, pursuant to which the Subscribers have agreed to purchase 30,000,000 existing shares of the Company of HK$0.1 each from Exceed Standard at the placing price of HK$1.2 per share. On the same date, Exceed Standard and the Company entered into a subscription agreement, pursuant to which Exceed Standard has agreed to subscribe for 30,000,000 new shares of the Company of HK$0.1 each, at the subscription price of HK$1.2 per share.

On 20 August 2009, 30,000,000 shares of HK$0.1 each were issued for cash at a subscription price of HK$1.2 per share pursuant to the placing agreements and subscription agreements dated 10 August 2009 for a total cash consideration, before related expenses, of HK$36,000,000.

(c) On 7 December 2009, Exceed Standard entered into a placing and subscription agreement with the Company and a placing agent, pursuant to which Exceed Standard has agreed to place 61,500,000 existing shares of the Company of HK$0.1 each through the placing agent to certain independent third parties and Exceed Standard has agreed to subscribe for 61,500,000 new shares of the Company of HK$0.1 each, at the subscription price of HK$2 per share.

On 17 December 2009, 61,500,000 shares of HK$0.1 each were issued for cash at a subscription price of HK$2 per share pursuant to the placing and subscription agreement dated 7 December 2009 for a total cash consideration, before related expenses, of HK$123,000,000.

(d) During the year, 30,000,000 shares of HK$0.1 each were issued for cash at a subscription price of HK$1.5 per share pursuant to the exercise of the Company's warrants for a total cash consideration, before related expenses, of HK$45,000,000.

SHARE OPTIONS

Details of the Company's share option scheme and the share options issued under the scheme are included in note 31 to the financial statements.

WARRANTS

On 10 August 2009, the Company and the Subscribers entered into warrant placing agreements, pursuant to which the Subscribers have agreed to subscribe for a total of 30,000,000 warrants at the warrant issue price of HK$0.05 per warrant.

On 24 August 2009, 30,000,000 warrants of HK$0.05 each were issued pursuant to the warrant placing agreements dated 10 August 2009 for a total cash consideration, before related expenses, of HK$1,500,000. Each warrant entitles the holder thereof to subscribe for one ordinary share of HK$0.1 each at a subscription price of HK$1.5 per share, payable in cash and subject to adjustment, from the date of issue to 24 August 2010.

During the year, 30,000,000 warrants were exercised for 30,000,000 shares of HK$0.1 each at a price of HK$1.5 per share as detailed above, for a total cash consideration, before related expenses, of HK$45,000,000. At the end of the reporting period, the Company had no outstanding warrants.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

31. SHARE OPTION SCHEME

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

The Company has sought the approval by its shareholders in the annual general meeting of the Company held on 26 May 2008 for refreshing its scheme mandate limit such that the maximum number of shares which may be allotted and issued upon the exercise of the share options to be granted under the Scheme is 64,458,300 shares, representing 10% of the share capital of the Company as at the date of refreshment of the scheme mandate limit. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of offer of the share options or the expiry date of the scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the nominal value of the Company's shares; (ii) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (iii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

31. SHARE OPTION SCHEME *(continued)*

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

	2009 Weighted average exercise price HK$ per share	**2009** Number of options '000	2008 Weighted average exercise price HK$ per share	2008 Number of options '000
At 1 January	**2.13**	**59,317**	2.13	59,777
Granted during the year	**0.66**	**63,800**	–	–
Exercised during the year	**1.28**	**(7,406)**	1.28	(455)
Lapsed during the year	**2.47**	**(42,510)**	–	(5)
At 31 December	**0.74**	**73,201**	2.13	59,317

The weighted average share price at the date of exercise for share options exercised during the year was HK$2.98 (2008: HK$2.07) per share.

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2009

Number of options '000	**Exercise price HK$ per share**	**Exercise period**
9,401	1.28	6 October 2005 to 5 October 2014
63,800	0.66	3 July 2010 to 2 January 2011
73,201		

NOTES TO FINANCIAL STATEMENTS

31 December 2009

31. SHARE OPTION SCHEME *(continued)*

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows: *(continued)*

2008

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

The fair value of the share options granted during the year was HK$13,066,000 (approximately HK$0.2 each) (2008: Nil) of which the Group recognised a share option expense of HK$6,461,000 (2008: Nil) during the year ended 31 December 2009.

The fair value of equity-settled share options granted during the year was estimated as at the date of grant using the Binomial Option Pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2009
Expected life (years)	1.50
Dividend yield (%)	0.00
Expected volatility (%)	67.03
Risk-free interest rate (%)	0.29
Share price as at valuation date (HK$ per share)	0.65

The expected life of the options is based on the historical data over the past one and a half year and is not necessarily indicative of the exercise patterns that may occur.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

31. SHARE OPTION SCHEME *(continued)*

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

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

For the share options granted on 2 November 2007, the fair value of these share options at the date of grant of HK$17,408,000 was estimated using the Binomial Option Pricing model and of which the Group recognised share option expenses of HK$2,900,000 and HK$14,508,000 in the share option reserve during the years ended 31 December 2007 and 31 December 2008, respectively. Details of the underlying inputs to the model were disclosed in the annual report of the Company for the year ended 31 December 2007.

The 7,406,000 share options exercised during the year resulted in the issue of 7,406,000 ordinary shares of the Company and new share capital of HK$741,000 and share premium of HK$8,739,000 (before related issuance expenses), as further detailed in note 30 to the financial statements.

The 73,201,000 share options outstanding as at 31 December 2009 under the Scheme, represented approximately 9.5% of the Company's shares in issue as at that date. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 73,201,000 additional ordinary shares of the Company and additional share capital of HK$7,320,100 and share premium of HK$46,821,000 (before related issuance expenses).

NOTES TO FINANCIAL STATEMENTS

31 December 2009

32. RESERVES

(a) GROUP

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2009

32. RESERVES *(continued)*

(b) COMPANY

	Share premium account HK$'000	Share option reserve HK$'000	Capital reserve HK$'000	Warrant reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2008	128,237	6,833	402,007	–	74	537,151
Issue of shares (note 30)	537	–	–	–	–	537
Equity-settled share option arrangements (note 31)	–	14,508	–	–	–	14,508
Transfer to share premium account upon exercise of share options (note 30)	103	(103)	–	–	–	–
Transfer to retained profits	–	(1)	–	–	1	–
Total comprehensive income for the year	–	–	–	–	4,475	4,475
At 31 December 2008 and 1 January 2009	128,877	21,237	402,007	–	4,550	556,671
Issue of warrants (note 30)	–	–	–	1,500	–	1,500
Issue of shares (note 30)	200,589	–	–	–	–	200,589
Equity-settled share option arrangements (note 31)	–	6,461	–	–	–	6,461
Transfer to share premium account upon exercise of share options (note 30)	1,681	(1,681)	–	–	–	–
Transfer to share premium account upon exercise of warrants (note 30)	1,500	–	–	(1,500)	–	–
Share issue expenses (note 30)	(4,068)	–	–	–	–	(4,068)
Transfer to retained profits	–	(17,422)	–	–	17,422	–
Total comprehensive income for the year	–	–	–	–	122,424	122,424
At 31 December 2009	328,579	8,595	402,007	–	144,396	883,577

NOTES TO FINANCIAL STATEMENTS

31 December 2009

32. RESERVES *(continued)*

(b) COMPANY *(continued)*

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

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

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

MAJOR NON-CASH TRANSACTIONS

(a) During the year, the Group entered into finance lease arrangements in respect of items of property, plant and equipment with a total capital value at the inception of the leases of HK$2,581,000 (2008: HK$51,858,000).

(b) During the year, the balance due from a minority shareholder of HK$20,190,000 (2008: Nil) was settled through the addition of items of property, plant and equipment with costs in aggregate of the same amount.

(c) During the year, the sales proceeds of HK$26,000 from disposal of an item of property, plant and equipment was used to settle the payment for a finance lease of the same amount.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

MAJOR NON-CASH TRANSACTIONS *(continued)*

(d) During the year ended 31 December 2008, the capital contribution of HK$20,190,000 from a minority shareholder was yet to pay up and was included in the current account with the minority shareholder as at 31 December 2008.

(e) During the year ended 31 December 2008, deposits paid of HK$20,730,000 for the acquisition of land use rights included in the non-current assets was settled through the deposits paid in the same amount included in the current assets in the prior year.

34. CONTINGENT LIABILITIES

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

	Company	
	2009	2008
	HK$'000	HK$'000
Guarantees given to banks in connection with facilities granted to and fully utilised by subsidiaries	**1,137,996**	1,035,984
	1,137,996	1,035,984

NOTES TO FINANCIAL STATEMENTS

31 December 2009

34. CONTINGENT LIABILITIES *(continued)*

(b) The Group had a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of HK$1,732,000 (2008: HK$1,603,000) as at 31 December 2009, as further explained under the heading "Employee benefits" in note 2.4 to the financial statements. The contingent liability has arisen because, at the end of the reporting period, a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance if their employment is terminated under certain circumstances. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

35. OPERATING LEASE ARRANGEMENTS

(a) AS LESSOR

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

At 31 December 2009, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2009	2008
	HK$'000	HK$'000
Within one year	**198**	662
In the second to fifth years, inclusive	**377**	512
After five years	**143**	182
	718	1,356

NOTES TO FINANCIAL STATEMENTS

31 December 2009

35. OPERATING LEASE ARRANGEMENTS *(continued)*

(b) AS LESSEE

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

At 31 December 2009, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2009 HK$'000	2008 HK$'000
Within one year	**3,220**	4,958
In the second to fifth years, inclusive	**3,745**	4,643
After five years	**6,265**	6,838
	13,230	16,439

The Company had no significant operating lease commitments at 31 December 2009 (2008: Nil).

36. COMMITMENTS

In addition to the commitment detailed in note 19 and the operating lease commitments detailed in note 35 above, the Group had the following capital commitments as at the end of the reporting period:

	2009 HK$'000	2008 HK$'000
Contracted but not provided for:		
Purchases of machinery	**3,589**	3,571
Construction in progress	**36,781**	60,752
Investments in subsidiaries	**538,339**	570,511
Investment in a jointly-controlled entity	**8,409**	26,202
Others	**160**	–
	587,278	661,036

The Group had outstanding commitments amounted to HK$269,485,000 (2008: HK$58,323,000) as at the end of the reporting period in respect of irrevocable letters of credit.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

36. COMMITMENTS *(continued)*

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

	2009	2008
	HK$'000	HK$'000
Contracted but not provided for:		
Purchases of machinery	**–**	826

The Company had no significant commitments at 31 December 2009 (2008: Nil).

37. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Notes	**2009** **HK$'000**	2008 HK$'000
Rental expenses on office premises and a staff quarter paid to Tai Chin Chun and Tai Chin Wen	(i)	**372**	372
Rental expenses on staff quarters paid to Cheung So Wan and Wong Siu Yuk	(ii)	**212**	–
Rental expenses on an office premise and car parks paid to Chin Tai Wing	(iii)	**263**	–
Purchases of raw materials from a jointly-controlled entity	(iv)	**14,265**	5,876

NOTES TO FINANCIAL STATEMENTS

31 December 2009

37. RELATED PARTY TRANSACTIONS *(continued)*

(a) *(continued)*

Notes:

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

(ii) The Group entered into tenancy agreements with Ms. Cheung So Wan and Ms. Wong Siu Yuk, directors of the Company, for staff quarters at monthly rentals of approximately HK$18,000 for a term of one year, based on the then prevailing market rentals.

(iii) The Group entered into tenancy agreements with Mr. Chin Tai Wing, a key management personnel of the Group, for the rental of an office premise and two car parks at monthly rentals of approximately HK$22,000 for a term of three years, based on the then prevailing market rentals.

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

(b) The Group is still in the process of applying for the land use planning for construction work permit, construction project and planning permit, commencement of construction works permit in respect of a six-storey factory building, with a net book value of approximately HK$3 million (2008: HK$3.2 million) as at 31 December 2009.

Each of Mr. Tai Chin Chun and Mr. Tai Chin Wen, directors of the Company, together with their respective spouses, who are also deemed as the shareholders of the Company under the Securities and Futures Ordinance, have given joint and several indemnities in favour of the Group in respect of aforementioned buildings/structures.

(c) Outstanding balances with related parties:

(i) As disclosed in the consolidated statement of financial position, the Group had an outstanding loan from a minority shareholder of HK$8,000,000 (2008: Nil) as at the end of the reporting period. The loan is unsecured, interest-free and has no fixed term of repayment.

(ii) As at 31 December 2008, the Group had outstanding amounts due from minority shareholders of HK$20,258,000. The balances were unsecured, interest-free and were fully settled during the year.

(iii) Details of the Group's balances with its jointly-controlled entity and associates as at the end of the reporting period are disclosed in notes 18 and 19 to the financial statements, respectively.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

37. RELATED PARTY TRANSACTIONS *(continued)*

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

	2009 HK$'000	2008 HK$'000
Short-term employee benefits	13,772	11,922
Post-employment benefits	103	94
	13,875	12,016

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

(e) The Group's minority shareholder has given counter-indemnity up to HK$28,200,000 in favour of the Company in respect of the corporate guarantee up to HK$70,500,000 executed by the Company given to banks in connection with facilities granted to a subsidiary of the Company (note 34(a)).

38. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2009 **Group**

Financial assets

	Financial assets at fair value through profit or loss – held for trading HK$'000	Loans and receivables HK$'000	Total HK$'000
Accounts and bills receivable	–	384,711	384,711
Financial assets included in prepayments, deposits and other receivables	–	21,818	21,818
Equity investment at fair value through profit or loss	573	–	573
Derivative financial instruments	2,314	–	2,314
Due from an associate	–	3,287	3,287
Pledged deposits	–	40,382	40,382
Cash and cash equivalents	–	390,821	390,821
	2,887	841,019	843,906

NOTES TO FINANCIAL STATEMENTS

31 December 2009

38. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(continued)*

2009 *(continued)* **Group**

Financial liabilities

	Financial liabilities at fair value through profit or loss – held for trading HK$'000	**Financial liabilities at amortised cost HK$'000**	**Total HK$'000**
Accounts and bills payable	**–**	**499,568**	**499,568**
Financial liabilities included in accrued liabilities and other payables	**–**	**33,452**	**33,452**
Derivative financial instruments	**15,436**	**–**	**15,436**
Loan from a minority shareholder	**–**	**8,000**	**8,000**
Interest-bearing bank and other borrowings	**–**	**819,052**	**819,052**
	15,436	**1,360,072**	**1,375,508**

2008 Group

Financial assets

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

NOTES TO FINANCIAL STATEMENTS

31 December 2009

38. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(continued)*

2008 *(continued)* Group

Financial liabilities

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

2009 **Company**

Financial assets

	Loans and receivables HK$'000
Due from subsidiaries	**450,834**
Cash and cash equivalents	**107,922**
	558,756

NOTES TO FINANCIAL STATEMENTS

31 December 2009

38. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(continued)*

2009 *(continued)* **Company**

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Financial liabilities included in accrued liabilities and other payables	**38**
Due to a subsidiary	**78**
	116

2008 Company

Financial assets

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

Financial liability

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

NOTES TO FINANCIAL STATEMENTS

31 December 2009

39. FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

As at 31 December 2009, the Group held the following financial instruments measured at fair value:

Assets measured at fair value as at 31 December 2009:

	Level 1 HK$'000	Level 2 HK$'000	Total HK$'000
Equity investment at fair value through profit or loss	573	–	573
Derivative financial instruments	–	2,314	2,314
	573	2,314	2,887

Liabilities measured at fair value as at 31 December 2009:

	Level 1 HK$'000	Level 2 HK$'000	Total HK$'000
Derivative financial instruments	–	15,436	15,436

NOTES TO FINANCIAL STATEMENTS

31 December 2009

39. FAIR VALUE HIERARCHY *(continued)*

As at 31 December 2009, the Group had no financial instruments measured at fair value under Level 3.

The Company did not have any financial instruments measured at fair value as at 31 December 2009.

During the year ended 31 December 2009, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

INTEREST RATE RISK

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's net debt obligations with a floating interest rate. The bank borrowings bear interest at interest rates with reference to HIBOR, LIBOR, PBOC, etc. The Group believes that the exposure to the risk of changes in market interest rates is not significant. In order to minimise the impact of interest rate exposure, the Group has entered into interest rate swaps with creditworthy banks to manage its interest rate exposure.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

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

INTEREST RATE RISK *(continued)*

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

	Group	
	Change in interest rate %	Change in the Group's profit before tax HK$'000
2009		
Hong Kong dollar – HIBOR	**0.3**	**1,840**
United States dollar – LIBOR	**0.1**	**169**
RMB – PBOC	**0.5**	**402**
2008		
Hong Kong dollar – HIBOR	1.5	10,615
United States dollar – LIBOR	1.5	2,022

MARKET RISK

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2009

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

COMMODITY PRICE RISK

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

FOREIGN CURRENCY RISK

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

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

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

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

FOREIGN CURRENCY RISK *(continued)*

	Increase/ (decrease) in RMB rate %	Increase/ (decrease) in the Group's profit before tax HK$'000	Increase/ (decrease) in the Group's equity* HK$'000
2009			
If Hong Kong dollar weakens against RMB	**3**	**(8,423)**	**–**
If Hong Kong dollar strengthens against RMB	**(3)**	**8,423**	**–**
2008			
If Hong Kong dollar weakens against RMB	3	(5,874)	–
If Hong Kong dollar strengthens against RMB	(3)	5,874	–

* Excluding retained profits

CREDIT RISK

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

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

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, an equity investment at fair value through profit or loss, amounts due from minority shareholders, a jointly-controlled entity and an associate and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Company is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in note 34(a) to the financial statements.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2009

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

LIQUIDITY RISK

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

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

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

Group	**2009**		
	On demand or less than 12 months HK$'000	**1 to 5 years HK$'000**	**Total HK$'000**
Accounts and bills payable	**499,568**	**–**	**499,568**
Financial liabilities included in accrued liabilities and other payables	**33,452**	**–**	**33,452**
Derivative financial instruments	**15,436**	**–**	**15,436**
Loan from a minority shareholder	**8,000**	**–**	**8,000**
Interest-bearing bank and other borrowings	**663,812**	**157,527**	**821,339**
	1,220,268	**157,527**	**1,377,795**

NOTES TO FINANCIAL STATEMENTS

31 December 2009

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

LIQUIDITY RISK *(continued)*

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

Group		2008	
	On demand or less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Accounts and bills payable	312,017	–	312,017
Financial liabilities included in accrued liabilities and other payables	43,653	–	43,653
Derivative financial instruments	20,032	–	20,032
Interest-bearing bank and other borrowings	527,181	366,474	893,655
Bank advances for discounted bills	71,088	–	71,088
	973,971	366,474	1,340,445

The maturity profile of the Company's financial liabilities as at the end of the reporting period based on contractual undiscounted payments, was less than one year.

CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2009 and 31 December 2008.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

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

CAPITAL MANAGEMENT *(continued)*

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

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

	Group	
	2009	2008
	HK$'000	HK$'000
Interest-bearing bank and other borrowings	**819,052**	887,862
Bank advances for discounted bills	**–**	71,088
Accounts and bills payable	**499,568**	312,017
Accrued liabilities and other payables	**83,992**	97,108
Loan from a minority shareholder	**8,000**	–
Less: Cash and cash equivalents	**(390,821)**	(137,539)
Net debt	**1,019,791**	1,230,536
Equity attributable to ordinary equity holders of the Company and total capital	**1,447,252**	1,148,119
Capital and net debt	**2,467,043**	2,378,655
Gearing ratio	**41.3%**	51.7%

NOTES TO FINANCIAL STATEMENTS

31 December 2009

41. LITIGATION

In 2008, one of the Group's customers filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code in the United States and the outstanding accounts receivable balance from that customer was HK$3,706,000. As a result, the Group recognised an impairment of HK$3,706,000 in the income statement for the year ended 31 December 2008. A claim was filed by the Group's legal representatives to recover the outstanding amount. The Group successfully recovered HK$2,205,000 of the impaired balance during the year. However, in October 2009, the liquidator of the customer filed an objection for claiming part of the accounts receivable balance of HK$2,120,000 on the basis that such amount was made during the ninety days prior to the bankruptcy filing of the customer under the Chapter 11 of the Bankruptcy Code in the United States. The directors of the Company have made a provision for such claim in the financial statements as at 31 December 2009.

42. EVENTS AFTER THE REPORTING PERIOD

(a) On 15 January 2010, the Company entered into a placing agreement with a placing agent pursuant to which the Company agreed to place 30,000,000 shares of the Company of HK$0.1 each at a price of HK$2.30 to independent third parties via the placing agent.

(b) Pursuant to an announcement on 27 January 2010, the Company has obtained preliminary approval from the Stock Exchange to proceed with the spin-off and separate listing of its garment manufacturing and trading business (the "Spin Off") on the Stock Exchange. On 31 March 2010, the Company announced that a listing application form regarding the Spin Off has been submitted to the Stock Exchange.

43. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the adoption of new and revised HKFRSs during the current year, the presentation of certain balances in the financial statements has been revised to comply with the current year's presentation.

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 April 2010.

FIVE YEAR FINANCIAL SUMMARY

31 December 2009

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

RESULTS

	Year ended 31 December				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**2,523,245**	2,586,617	2,230,764	2,013,889	1,499,403
Profit before tax	**90,534**	91,656	127,535	121,806	90,262
Income tax expense	**(9,859)**	(11,015)	(17,617)	(20,659)	(11,312)
Profit for the year	**80,675**	80,641	109,918	101,147	78,950
Attributable to:					
Ordinary equity holders of the Company	**83,115**	81,700	109,960	101,125	78,959
Minority interests	**(2,440)**	(1,059)	(42)	22	(9)
	80,675	80,641	109,918	101,147	78,950

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31 December				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**2,940,425**	2,600,829	2,053,599	1,996,233	1,663,388
TOTAL LIABILITIES	**(1,452,828)**	(1,409,405)	(1,093,332)	(1,197,498)	(986,154)
MINORITY INTERESTS	**(40,345)**	(43,305)	(17,275)	(317)	(105)
	1,447,252	1,148,119	942,992	798,418	677,129