Annual Report 2010

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Yuk Tong, Jimmy
Ms. Chu Hak Ha, Mimi
Mr. Ho Gilbert Chi Hang

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

Hang Seng Bank Limited
Australia and New Zealand
Banking Group Limited
The Hongkong and Shanghai Banking
Corporation Limited
Standard Chartered Bank (HK) Limited
Citic Bank International Limited

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

	For the year ended/As at 31 December				
	2006	2007	2008	2009	**2010**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Revenue	2,013,889	2,230,764	2,586,617	2,523,245	**3,267,785**
EBITDA (note)	233,913	264,537	250,451	258,380	**336,226**
Profit after tax	101,147	109,918	80,641	80,675	**104,383**
Dividends (HK cents)	4.0	4.3	0.0	2.5	**2.7**
Shareholders' funds	798,418	942,992	1,148,119	1,447,252	**1,641,094**

KEY FINANCIAL RATIOS

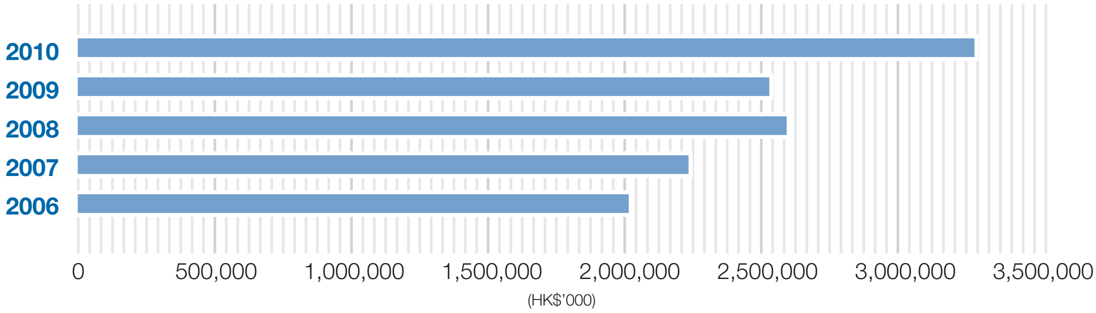
	For the year ended/As at 31 December				
	2006	2007	2008	2009	**2010**
Gross profit margin (%)	19.7	19.7	18.6	17.5	**15.7**
Net profit margin (%)	5.0	4.9	3.1	3.2	**3.2**
Gearing ratio (net debt/capital and net debt (%)	55.3	50.5	51.7	41.3	**52.9**

Note:

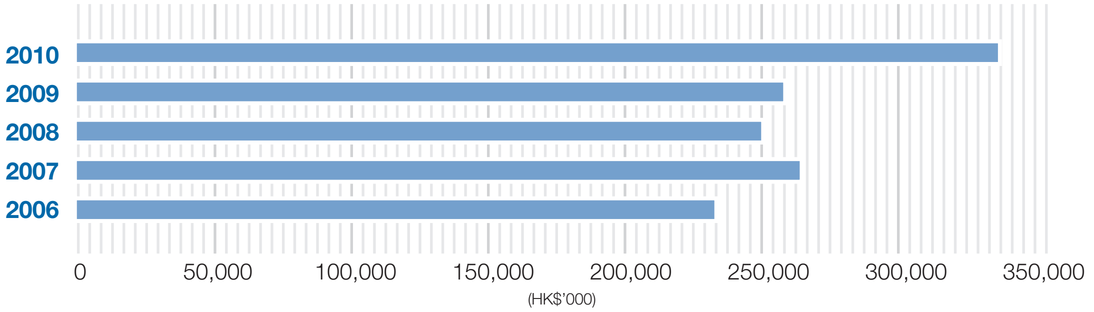
EBITDA refer to profit before interest, tax, depreciation and amortisation

FINANCIAL HIGHLIGHTS AND SUMMARY

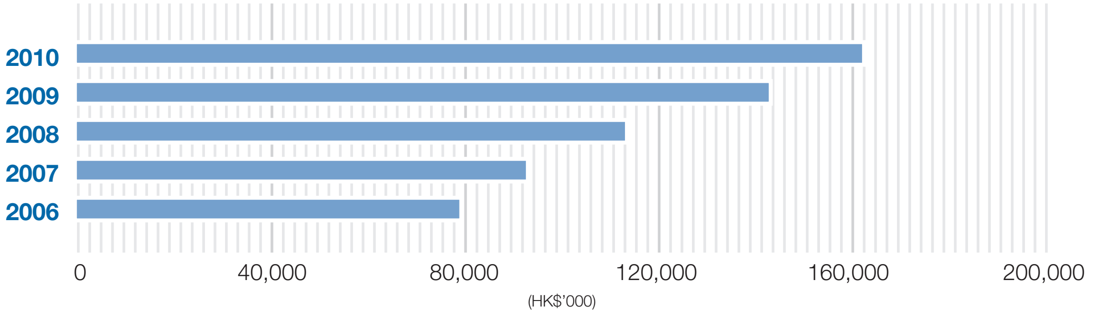
REVENUE



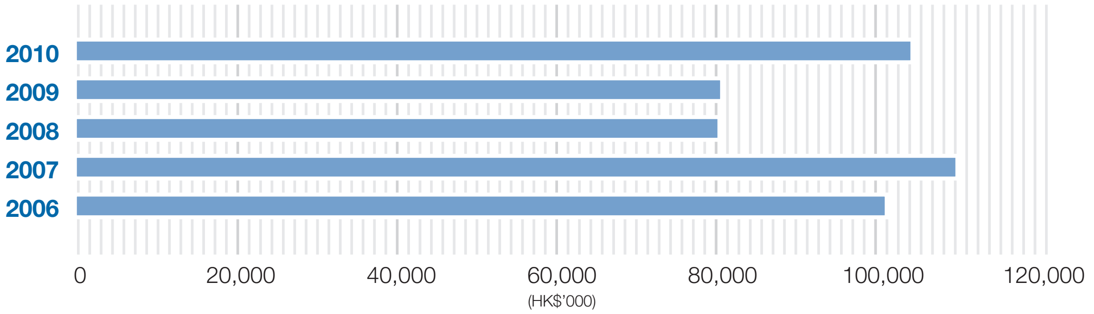
PROFIT BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION ("EBITDA")



SHAREHOLDERS' FUNDS



PROFIT AFTER TAX



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 2010 (the "Year").

2010 represented a memorable and focal development year, as the Group's overall sales revenue and net profit exceeded HK$3,267.8 million and HK$104.4 million respectively in spite of challenges brought forth by the industry's changing market sentiment and continuous cost pressures. The increase of profit results was particularly encouraging as it acknowledged the Group's ability to overcome external challenges whilst upholding our overall competitiveness in the market.

During the Year, the Group diligently safeguarded our strong business foundations and proactively adjusted our internal and external strategies to fortify our leadership status. Recognizing the importance of a healthy financial position during times of uncertainty, we focused on sustaining stringent internal control and a well-managed cash flow system, as such preemptive preparations will assist us in achieving faster growth rebound during times of recovery and ultimately capture further market share in the long-run.

In addition, cautious strategic expansion strategies were consistently implemented as to improve and streamline our overall operations. Hence in 2009, the Group established a textile factory in Enping, Guangdong Province to cater for increasing orders from our existing clientele. Our decision to expand capacity was crucial to our development and differentiation from our competitors, as we successfully reinforced our operational capability in handling quick orders and garnered new clients during the relentless market consolidation. I am pleased to report that the Enping textile factory has reached the break-even point in 2010 and is now reporting profits after only one year of establishment.

Thanks to our unwavering vision in achieving further milestones for our core textile and garment business, our notable performance was translated into profitable returns. Furthermore, such persistence in the challenging operating environment effectively magnified the merits of the Group and thoroughly rewarded our shareholders with a satisfying annual result. The Board has resolved to recommend the payment of a final dividend of HK2.7 cents per share subject to approval by the shareholders at the forthcoming annual general meeting of the Company.

OUTLOOK

The People's Republic of China (the "PRC") has maintained a steadfast economic growth for the past years and coupled with rising income levels and evolving consumer purchasing behavior, the region possesses unlimited opportunities to capture. Recognizing the country's robust consumption growth, we are now dedicated to refocus our business objectives to penetrate the region's untapped market opportunities with a series of expansion strategies.

CHAIRMAN'S STATEMENT

We aim to elevate our focus and efforts in the PRC market. An increasing order book from existing and new clients triggered the need to strengthen our manufacturing presence in the domestic market. Hence, on top of our established facilities in Panyu, the PRC and Madagascar, Africa respectively, a new garment factory in Enping was constructed in December 2010 to cope with such production commitments. The new facility is expected to significantly improve our overall operational efficiency and vertical integration effect. In addition, our augmented business scale will further assist the Group in capturing market share and ultimately provide a platform for us to achieve our corporate vision of becoming one of the key manufacturers and suppliers of renowned domestic brands.

We strive to upgrade our product mix as to improve our margins. In line with the growing prosperity of the general population in the PRC, the demand for quality fabrics is highly anticipated. Hence, in order to cope with such growth opportunities and to effectively tailor the likes of consumer preferences, a second textile factory is currently under design with plans to produce high-margin and functional fabrics and to provide additional support to our PRC production commitments, after the success of the first textile factory in Enping.

Synergy between the two textile and one garment production facilities in Enping will uplift our production flexibility in both upstream and downstream operations and together will translate our timely deliverance of quality and tailored services to our customers worldwide. Looking ahead, the ongoing initiatives to penetrate into the PRC market will be the Group's key growth driver for the coming years and is expected to generate fruitful returns in the long-run.

Moreover, the exceptional results further defined our business direction and we strongly believe that 2011 will be a pivotal year in pursuing new performance heights. In order to realize our resources and allow growth at a larger scale, a spin-off and separate listing of the garment division is under progress. We will closely monitor the external market conditions for the coming year as to grasp the best possible opportunity in executing the spin-off exercise.

APPRECIATION

I would like to take this opportunity to thank our management team and employees for their hard work as their unwavering dedication contributed 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, 28 March 2011

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS REVIEW

The global economy displayed nascent recovery during fiscal year 2010 as gradually resumed consumer confidence from the US and European markets stimulated positive growth in textile and apparels exports. However, against the backdrop of an encouraging market upturn, the overall manufacturing sector in the PRC continued to face challenges as external cost pressures instigated by rising raw material, labor and fuel costs hindered the vitality and growth of the industry. Nevertheless, the Group persevered against the unfavorable market conditions and attained an encouraging operating and financial performance; a pivotal achievement that further cemented our leading status in the textile and garment industry.

For the Year, the Group achieved record high sales revenue amidst challenges in the operating environment. Overall sales revenue increased by approximately 29.5% to HK$3,267.8 million (2009: HK$2,523.2 million), gross profit increased by approximately 16.0% to HK$511.6 million (2009: HK$440.9 million) and the profit for the year increased by approximately 29.4% to HK$104.4 million (2009: HK$80.7 million).

The impressive revenue growth was mainly attributable to increases in our products' average selling price and progressively recovering orders from existing clients. Furthermore, market consolidation through the survival of the fittest further recognized a number of stronger and financially healthier players, thereby rendering new business opportunities and market share. As one of the leading players in the global textile market, the Group's sheer scale size benefited from the mass market consolidation as new clients shifted orders to us and expressed their confidence in our premium service delivery.

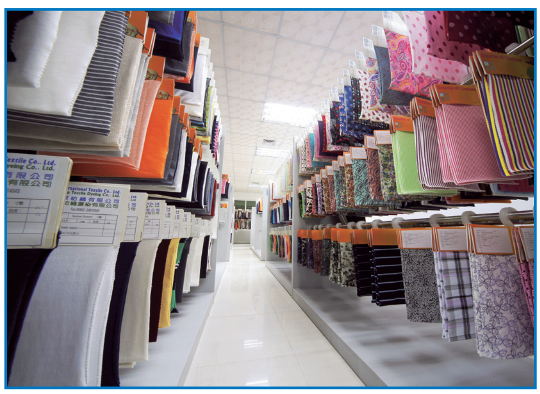
MANAGEMENT DISCUSSION & ANALYSIS

The Group's regional sales for the Year has also attained notable results with Hong Kong, the PRC and Korea markets presenting impressive growth rates of 86.5%, 79.8% and 53.5% respectively. The encouraging performance reflected the success of our well-established sales network in Asia, thus the management is confident that the regions will continue to be strong growth drivers for the Group and record significant sales in the coming years.

Gross profit margin decreased to 15.7% from 17.5% in comparison to the previous corresponding year whilst net profit margin remained at a stable 3.2%. The slight decline in gross margin was mainly attributable to burgeoning external cost pressures exerted from escalating prices of our major raw material, cotton yarn, and rising labor and coal costs in the PRC.

Cotton yarn prices have reached a historical high in 2010, which in return has inevitably affected profit margins for many textile producers. Since early 2009, the Group has been keeping sufficient cotton yarn as inventory to ensure a smooth operation and to minimize the impact from the rising raw material costs. Moreover, our textile business accounted for approximately 92.9% of overall sales and coupled with the Group's strong bargaining power, we were able to pass on most of the incurred costs to our clients by raising our overall selling prices.

With the majority of our textile production facilities located in the PRC, rising labor and coal costs have also asserted significant pressure on our margins. In addition, the tendency for end-product retailers keeping inventory levels low prevails hence abrupt orders that demands shorter delivery cycles continues to be the business norm. However, due to our sizable production scale and vigilant cash flow management, the Group efficaciously weathered the financial burden through the adoption of cost improvement strategies. Leveraging on our strong operational capacity and proactive initiative in maintaining prudent internal cost control and resources allocation, the Group was able to simultaneously sustain the quality of our timely services whilst remaining market competitiveness.



NEW DEVELOPMENTS

With strong aspirations to expand and strengthen our core textile and garment business, the Group has initiated geographical expansion strategies in Asia, with focus on the PRC market, as to strengthen our business relationship with renowned domestic sportswear and casual wear companies and to ultimately capture opportunities brought forth by the region's explosive consumption growth. The expansion opportunity will balance the Group's sales mix between the PRC and overseas markets thereby creating a "natural hedge" against the appreciation of the Renminbi ("RMB"). Furthermore, increased exposure in the PRC will attract more domestic sales to fill up the low season capacity between September and January. The Group is also contemplating on business endeavors into the production of non-seasonal and high-end functional products as to improve our overall product mix and margins. The two new initiatives will fully utilize the Group's year-round production capacity and is expected to bring in greater profits in the long-run.

In January 2010, the management announced the possible spin-off and separate listing of the Group's garment division which is expected to allow the Group to focus solely on its core upstream textile business and in addition provide a separate funding platform to fully develop the garment business. The proposition is currently under review. Further announcements will be made by the Group in relation to the proposed spin-off as and when appropriate.

Whilst remaining dedicated to our core textile and garment business, the Group continues to actively source for high value investment opportunities as to broaden our revenue stream. Since January 2008, the Group has identified the market need for broader iron ore supply sources and through a joint-venture ("JV") established with industry experts, commenced our investment in the Soalala, Madagascar mining project (the "Project"). The Group owned 20% beneficial interest in the Project. In order to enable the Group to retain its interest in the Project, whilst alleviating any financial burden as may be required on the Projects, on 31 January 2011, the Company decided to dispose of 75% of its 20% equity interest in the JV for an initial cash consideration of US$30 million with a further consideration of up to US$70 million upon and subject to the fulfilment of certain conditions. Further details of the disposal were set out in the announcement and the circular of the Company dated 31 January 2011 and 23 February 2011, respectively.

MANAGEMENT DISCUSSION & ANALYSIS

PROSPECTS

2010 was a challenging year and thoroughly tested the capability of all players in the textile and garment industry. Emerging as one of the stronger players amidst the ruins, the Group is now well-prepared to face any obstacles that may come with a series of new development strategies to further strengthen our presence.

In light of the flourishing consumption power in the PRC, the Group is committed to increasing our exposure in the domestic PRC market substantially in coming year. To exemplify our dedication to the PRC market, a new garment factory was established in December 2010 in our existing Enping site, and will commence operation with full capacity in the first quarter of 2011 to cope with the robust orders and future growing opportunities. Furthermore, a new textile manufacturing plant is under planning for the fourth quarter of 2011 with dedicated productions to target the high-end fabric market.

The establishment and integration of the two new production facilities will effectively increase our production capacity and reduce our reliance on external suppliers, thereby lowering cost contingencies and elevate the flexibility of our one-stop production model. The Group will also continue to implement aggressive sales and marketing tactics to utilize our new production resources and effectively translate our premium product quality and service efficiency to customers in the PRC and beyond.

The one-off profit generated from the sale of equity interest in the Project will be used for general working capital and further production expansion to strengthen our core business.

Having faced all the challenges in the past two years, a set of stringent cash flow management and internal control initiatives have been well implemented. These improvements have been proven to be effective and now the Group's foundation is stronger than ever. The management will continue to firmly take hold of our prominent position in the industry and at the same time to proactively capture further market share. With our all-rounded business scale, expanding customer base and high operating efficiency, we are confident to continue achieving sustainable profitability for our shareholders.

FINANCIAL REVIEW

REVENUE

For the Year, the Group recorded a revenue of HK$3,267.8 million (2009: HK$2,523.2 million), representing an increase of approximately 29.5% in comparison to the previous financial year. The increase in revenue is mainly attributable to increases in our product's average selling prices and recovering orders from existing and new clients.

GROSS PROFIT AND GROSS PROFIT MARGIN

Gross profit for the Year was HK$511.6 million (2009: HK$440.9 million), representing an increase of approximately 16.0% in comparison to the previous financial year. Gross profit margin was 15.7% in 2010, a slight decrease from 17.5% in 2009. The slight reduction in gross margin is mainly attributable to cost pressures exerted from escalating cotton yarn prices, labour costs and coal costs in the PRC.

NET PROFIT AND NET PROFIT MARGIN

The Group's profit for the Year was HK$104.4 million (2009: HK$80.7 million), representing an increase of approximately 29.4%. Net profit margin for 2010 was maintained at 3.2% (2009: 3.2%).

OTHER INCOME AND EXPENSES

Other income of approximately HK$24.4 million (2009: HK$15.9 million) for the Year mainly comprised HK$15.8 million (2009: HK$15.4 million) from the sales of excess steam generated by the power plant to the nearby factories in the district, as well as the fair value losses of HK$8.6 million (2009: HK$13.1 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$99.3 million (2009: HK$102.0 million) for the Year consisted of HK$75.9 million (2009: HK$78.7 million) in shipping and delivery costs, which represented an decrease of 3.6% relative to the previous year. Administrative expenses, which included salaries, depreciation and other related expenses, increased by HK$40.8 million year-on-year to HK$286.4 million (2009: HK$245.6 million). The increase was due to the early production stage of operations of the Enping plant.

Finance costs, which mainly included interests on long-term loans from banks, short-term trust receipt loans and finance lease interest, increased by 58.9% to HK$27.8 million (2009: HK$17.5 million) as compared with the previous year as a result of two new term loans engaged in mid 2010 with higher interest margin than previous syndication loan, which was early repaid at the end of 2010 after that refinancing exercise.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2010, the Group's net current assets were HK$107.6 million (2009: HK$28.4 million). The increase in net current assets was mainly attributable to a successful share placement exercise during the Year for working capital enhancement. The Group will constantly review and maintain a healthy financial position by financing its operations from internally-generated resources and long-term bank loans. As at 31 December 2010, the Group had cash and cash equivalents of HK$252.4 million (2009: HK$390.8 million). Current ratio of the Group was 1.1 times (2009: 1.0 times).

Total bank and other borrowings of the Group, as at 31 December 2010, were HK$1,113.1 million (2009: HK$827.1 million). Cash and cash equivalents of the Group were HK$252.4 million (2009: HK$390.8 million). The Group's net debt gearing ratio was maintained at a healthy level of approximately 52.9% (2009: 41.3%). Net debt gearing ratio 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, loan from a non-controlling shareholder, an amount due to an associate, 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.

Debtors' turnover period, inventory turnover period and creditors' turnover period for the Year were 63.7 days (2009: 55.7 days), 130.9 days (2009: 91.3 days) and 99.9 days (2009: 87.6 days), respectively. The increase in the debtors' turnover period was due to substantial increase in the China Region sales in 2010, which was mainly occurred from September. The increase in the inventory turnover and creditors' turnover period was attributable to the increase in storage of yarn due to its price fluctuation since late 2009.

FINANCING

As at 31 December 2010, the total banking and loan facilities of the Group amounted to HK$2,861.0 million (2009: HK$2,315.6 million), of which HK$1,365.3 million (2009: HK$1,138.0 million) was utilized.

As at 31 December 2010, the Group's long-term loans were HK$263.1 million (2009: HK$99.6 million) comprising term loans from banks of HK$245.9 million (2009: HK$96.5 million), loan from a non-controlling shareholder of HK$12.0 million (2009: Nil) and long-term finance lease payable of HK$5.2 million (2009: HK$3.1 million). The increase in long-term loan was mainly attributable to the refinancing exercise for previous syndication loan.

DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK2.7 cents (2009: HK2.5 cents) per share in respect of the Year to be payable to shareholders whose names appear on the register of members of the Company on 3 June 2011. 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 17 June 2011.

CAPITAL STRUCTURE

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

As at 31 December 2010, the Company has completed one placing activity. The share placement of 30 million new shares at HK$2.30 per new share generated a net proceed of approximately HK$65.2 million.

FOREIGN EXCHANGE RISK AND INTEREST RATE RISK

66.0% (2009: 73.7%) of the Group's sales was dominated in US dollars. The remaining sales were dominated in Hong Kong dollars and Renminbi. The majority of the Group's costs of sales were dominated in US dollars, Hong Kong dollars and Renminbi. The Group is therefore exposed to foreign exchange risk arising from currency exposures, primarily in respect to the Renminbi. The exchange rates of other currencies were relatively stable throughout the Year and immaterial on our cost structure. The management closely monitors the foreign exchange movements and determines the appropriate hedging activities when necessary.

The Group's borrowings were mainly maintained at a 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 OF GROUP'S ASSETS

As at 31 December 2010, certain items of property, plant and equipment of the Group with an aggregate net book value of HK$59.4 million (2009: HK$63.7 million) were under finance leases.

CAPITAL EXPENDITURE

During the Year, the Group invested HK$264.2 million (2009: HK$215.0 million) in capital expenditure of which 87.8% (2009: 83.5%) was used for the purchase of plant and machinery, 5.5% (2009: 5.3%) 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, as well as capital contribution to a jointly controlled entity and an associate.

As at 31 December 2010, the Group had capital commitments of HK$41.1 million (2009: HK$40.5 million) in property, plant and equipment. All are funded by internal resources and fund raising from the capital market respectively.

STAFF POLICY

The Group had 6,351 (2009: 5,460) employees in the PRC, 2,344 (2009: 3,950) employees in Madagascar and 171 (2009: 170) employees in Hong Kong, Macau, Singapore and Korea as at 31 December 2010. Remuneration packages are generally structured by reference to market terms and individual qualification. 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 in appropriate incentive package for the growth of the Group.

MAJOR CUSTOMERS AND SUPPLIERS

For the Year, sales to the Group's five largest customers accounted for 33.5% (2009: 37.1%) of the total sales and sales to the largest customers included therein accounted for 11.9% (2009: 14.3%).

Purchases from the Group's five largest suppliers accounted for 36.9% (2009: 27.2%) of the total purchases for the Year and purchases from the largest supplier therein accounted for 10.5% (2009: 8.3%).

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 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 93.0% (2009: (Singapore, Taiwan, Hong Kong, the PRC (other than Hong Kong and Macau) and Korea) 85.6%) of total sales of the Group and sales to the largest region (Singapore) included therein accounted for 34.0% (2009: 38.8%) of the Group.

As at 31 December 2010, the Group's assets located in the fabric operation accounted for 91.2% (2009: 95.2%) of the total assets of the Group. Capital expenditure in the fabric operation during the Year accounted for 94.2% (2009: 99.7%) of the total capital expenditure of the Group.

MATERIAL ACQUISITION AND DISPOSAL

There were no major acquisitions or disposals of the capital assets during the year.

Subsequent to the end of the reporting period, on 31 January 2011, the Group entered into the Disposal Agreement with independent third party (the "Purchaser"), pursuant to which, among other things, the Group has agreed to dispose of and the Purchaser has agreed to acquire the Group's 75% interest in Kam Hing International Limited (the "Target") at an initial consideration of US$30,000,000 with post completion adjustment of up to a further US$70,000,000. Upon completion, the Group will still hold 25% equity interest in the Target and the Company will treat the Target as an associate of the Company. The disposal was completed on 1 February 2011. Details of the disposal were set out in the announcement and circular of the Company dated 31 January 2011 and 23 February 2011, respectively.

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 of the Company. Having made specific enquiry of all Directors, the Company has confirmed that the Directors have confirmed that they have complied with the required standard set out in the Model Code for the year ended 31 December 2010.

BOARD OF DIRECTORS

As at 31 December 2010, 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 24 to 29 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
Independent Non-executive Directors:	Mr. Chan Yuk Tong, Jimmy
	Ms. Chu Hak Ha, Mimi
	Mr. Ho Gilbert Chi Hang (appointed on 4 May 2010)

There is no relationship among members of the Board except for the family relationship among 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 2010, the Board convened six full board meetings and the individual attendance of each Director at these meetings is set out below:

Name of Director	Notes	**Attendance**	**Rate (%)**
Executive Directors:			
Mr. Tai Chin Chun *(Chairman)*		6/6	100%
Mr. Tai Chin Wen		4/6	67%
Ms. Cheung So Wan		6/6	100%
Ms. Wong Siu Yuk		5/6	83%
Mr. Chong Chau Lam		6/6	100%
Mr. Wong Wai Kong, Elmen		5/6	83%
Non-executive Director:			
Mr. Lee Cheuk Yin, Dannis		5/6	83%
Independent Non-executive Directors:			
Mr. Chan Yuk Tong, Jimmy		6/6	100%
Ms. Chu Hak Ha, Mimi		6/6	100%
Mr. Chan Chung Yuen, Lawrence	(i)	4/4	100%
Mr. Ho Gilbert Chi Hang	(ii)	1/2	50%

Notes:

(i) Mr. Chan Chung Yuen, Lawrence resigned as an independent Non-executive Director and a member of the remuneration committee, nomination committee and audit committee of the Company on 4 May 2010.

(ii) Mr. Ho Gilbert Chi Hang was appointed as an independent Non-executive Director, the chairman of the nomination committee, and a member of the audit committee and remuneration committee of the Company on 4 May 2010.

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 two to three years, respectively, subject to retirement by rotation and re-election at annual general meeting under the Articles.

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. Ho Gilbert Chi Hang, 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 2010, the remuneration committee convened five meetings and the individual attendance of each committee member at these meetings is set out below:

Name of Director	Notes	**Attendance**	**Rate (%)**
Independent Non-executive Directors:			
Ms. Chu Hak Ha, Mimi *(Chairman)*		5/5	100%
Mr. Chan Yuk Tong, Jimmy		5/5	100%
Mr. Chan Chung Yuen, Lawrence	(i)	4/4	100%
Mr. Ho Gilbert Chi Hang	(ii)	1/1	100%
Executive Directors:			
Mr. Tai Chin Chun		5/5	100%
Mr. Tai Chin Wen		5/5	100%

Notes:

(i) Mr. Chan Chung Yuen, Lawrence resigned as an independent Non-executive Director and a member of the remuneration committee, nomination committee and audit committee of the Company on 4 May 2010.

(ii) Mr. Ho Gilbert Chi Hang was appointed as an independent Non-executive Director, the chairman of the nomination committee, and a member of the audit committee and remuneration committee of the Company on 4 May 2010.

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

NOMINATION COMMITTEE

The nomination committee was established in September 2005. Terms of reference adopted by the nomination committee are of no less exacting terms than those duties set out in the Code. The nomination committee comprised three independent non-executive Directors, namely Mr. Ho Gilbert Chi Hang (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 2010, the nomination committee convened two meetings and the individual attendance of each committee member at these meetings is set out below:

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

Notes:

(i) Mr. Ho Gilbert Chi Hang was appointed as an independent Non-executive Director, the chairman of the nomination committee, and a member of the audit committee and remuneration committee of the Company on 4 May 2010.

(ii) Mr. Chan Chung Yuen, Lawrence ceased to act as the chairman of the nomination committee and resigned as an independent Non-executive Director and a member of the remuneration committee, nomination committee and audit committee of the Company on 4 May 2010.

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

RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

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

AUDITORS' REMUNERATION

For the year ended 31 December 2010, 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$2.2 million and HK$0.4 million, respectively.

The responsibilities of the external auditors of the Company are set out in the "Independent Auditors' Report" on page 40 of this report.

AUDIT COMMITTEE

The audit committee of the Company, comprising all the three independent non-executive Directors, has met with the external auditors of the Company, Messrs. Ernst & Young, to review the accounting principles and practices adopted by the Group and the annual results of the Group for the Year.

During the year ended 31 December 2010, the audit committee convened two meetings and the individual attendance of each committee member at these meetings is set out below:

Name of Director	Notes	**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	(i)	1/1	100%
Mr. Ho Gilbert Chi Hang	(ii)	1/1	100%

Notes:

(i) Mr. Chan Chung Yuen, Lawrence resigned as an independent Non-executive Director and a member of the remuneration committee, nomination committee and audit committee of the Company on 4 May 2010.

(ii) Mr. Ho Gilbert Chi Hang was appointed as an independent Non-executive Director, the chairman of the nomination committee, and a member of the audit committee and remuneration committee of the Company on 4 May 2010.

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 also 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 2010, 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. The audit committee has also reviewed the internal control system of the Group and the findings of major investigations of internal control matters. The Group implements budget management with an aim to have better monitor on both business and financial performance. There was no significant incidence of failure in connection with financial, operational and compliance control during the year under review and the Board also considered that there are adequate staff with appropriate qualifications and experience, resources and budget of its accounting and financial reporting function, and adequate training programmes have been provided.

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

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Company establishes different communication channels with shareholders and investors, including (i) dispatching printed copies of corporate communication documents to shareholders; (ii) the annual general meeting provides a forum for shareholders to raise comments and exchange views with the Board; (iii) regular press conferences and meetings with investors and analysts are set up from time to time to introduce and release 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 49, 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 January 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 55, is an executive Director, the Chief Executive Officer and founder of the Group. He is in charge of the Group's day-to-day 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 47, 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 49, 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 61, 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 45, 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 40, 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 executive director of Guojin Resources Holdings Limited, a listed company in Hong Kong and an independent non-executive director of Geely Automobiles Holdings Limited and Tiangong International Company Limited, both are listed companies in Hong Kong. Mr. Lee 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 48, 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 Thunder Sky Battery Company Limited (formerly known as Jia Sheng Holdings Limited), Daisho Microline Holdings Limited, Xinhua Winshare Publishing and Media Co., Ltd. (formerly known as Sichuan Xinhua Winshare Chainstore Company Limited), BYD Electronic (International) Company Limited, Global Sweeteners Holdings Limited and Ausnutria Dairy Corporation Ltd, 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 independent non-executive director of Trauson Holdings Company Limited ("Trauson") on 10 June 2010. The shares of Trauson have been listed on the Stock Exchange since 29 June 2010. Mr. Chan was also an independent non-executive director of Great Wall Motor Company Limited and China Pipe Group Limited (formerly known as World Trade Bun Kee Limited), listed companies in Hong Kong, during the period from 18 May 2010 to 26 November 2010 and from 1 January 2007 to 3 July 2007, respectively. Mr. Chan retired as an executive director of Asia Cassava Resources Holdings Limited on 3 August 2010. Mr. Chan joined the Group on 30 March 2004.

Ms. Chu Hak Ha, Mimi (朱克遐), aged 47, 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. Ho Gilbert Chi Hang (何智恒), age 34, is the senior investment director of New World Development Company Limited, a company listed on the Stock Exchange, and an executive director of New World Strategic Investment Limited. Mr. Gilbert Ho has extensive experience in the area of corporate management, investments, corporate finance and merger and acquisition transactions and was a partner of an international law firm Fried, Frank, Harris, Shriver and Jacobson LLP prior to joining New World Development Company Limited. He is a Committee Member of the Chinese People's Political Consultative Conference of Shenyang.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Gilbert Ho holds a Bachelor of Commerce degree and a Bachelor of Laws degree from the University of Sydney, Australia and is a solicitor admitted in New South Wales, Australia and England and Wales. Mr. Gilbert Ho has been a non-executive director of Renhe Commercial Holdings Company Limited since December 2007 and an independent non-executive director of Infinity Chemical Holdings Company Limited since March 2010, both of which are companies listed on the Stock Exchange. Mr. Gilbert Ho joined the Group on 4 May 2010.

SENIOR MANAGEMENT

Mr. Kung Wai Chung（龔衛忠）, aged 53, 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 46, 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 60, 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 44, 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.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Tai Chu Fa (戴住發), aged 58, 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 49, 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.

Mr. Chan Ying Wah (陳映華), aged 55, 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 42, 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 46, 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 59, 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 30, 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.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Lui Yuen Hang（雷遠航）, aged 43, 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 41, is the sales director of Kam Hing Global Garment Company Limited, a wholly-owned subsidiary of the Group, and is responsible for the sales and marketing of the Group's garment section. Mr. Pong obtained a certificate in Fashion and Clothing Manufacture awarded by the Hong Kong Polytechnic University. Prior to joining the Group in September 2006, Mr. Pong has worked for both garment factory and garment trading company and he has over 15 years of experience in the garment industry.

Mr. Tan Poh San（陳寶山）, age 59, is the general manager of Kam Hing Madagascar and Kwok 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 50, 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 of experience in regional financial and operational management in multinational corporations and listed companies, and he is a fellow member of the Association 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 2010.

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 2010 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 42 to 147.

The Directors recommend the payment of a final dividend of HK2.7 cents (2009: HK2.5 cents) 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 3 June 2011.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, is set out on page 148. 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 AND SHARE OPTIONS

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

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

DISTRIBUTABLE RESERVES

As at 31 December 2010, 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$1,004,883,000. The amount of HK$1,004,883,000 includes the Company's share premium account and capital reserve of HK$847,959,000 in aggregate as at 31 December 2010, 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$624,000.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 33.5% (2009: 37.1%) of the total sales and sales to the largest customer included therein accounted for 11.9% (2009: 14.3%). Purchases from the Group's five largest suppliers accounted for 36.9% (2009: 27.2%) of the total purchases for the year and purchases from the largest supplier included therein accounted for 10.5% (2009: 8.3%).

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

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Ms. Chu Hak Ha, Mimi
Mr. Chan Yuk Tong, Jimmy
Mr. Ho Gilbert Chi Hang (appointed on 4 May 2010)
Mr. Chan Chung Yuen, Lawrence (resigned on 4 May 2010)

In accordance with article 87(1) of the Company's articles of association, Ms. Wong Siu Yuk, Mr. Chong Chau Lam, Mr. Wong Wai Kong, Elmen and Mr. Chan Yuk Tong, Jimmy, will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company. The independent non-executive Directors are appointed for a term of two to three years.

The Company has received annual confirmations of independence from Ms. Chu Hak Ha, Mimi, Mr. Chan Yuk Tong, Jimmy and Mr. Ho Gilbert Chi Hang, and 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 24 to 29 of the annual report.

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 two to three years, respectively and is subject to termination by either party by giving not less than three months' and one month's written notice, respectively.

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.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2010, 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 AND UNDERLYING SHARES OF THE COMPANY:

		Capacity and nature of interest				
Name of director	Notes	**Beneficial owner** (shares)	**Interest of spouse** (shares)	**Interest in controlled corporation** (shares)	**Total interests** (shares)	**Approximate percentage of the Company's issued share capital** (%)
Mr. Tai Chin Chun	1	3,000,000	1,000,000	332,600,000	336,600,000	38.70
Mr. Tai Chin Wen	2	2,000,000	1,000,000	96,000,000	99,000,000	11.38
Ms. Cheung So Wan	3	1,000,000	335,600,000	–	336,600,000	38.70
Ms. Wong Siu Yuk	4	1,000,000	98,000,000	–	99,000,000	11.38
Mr. Chong Chau Lam		300,000	–	–	300,000	0.03
Mr. Wong Wai Kong, Elmen	5	1,000,000	–	–	1,000,000	0.11

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

Notes:

1. 332,600,000 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. As Ms. Cheung So Wan is his spouse, Mr. Tai Chin Chun is deemed to be interested in the 1,000,000 shares held by Ms. Cheung So Wan under the SFO.

2. 96,000,000 shares are held by Power Strategy Limited ("Power Strategy"), a company incorporated in the BVI and beneficially owned by Mr. Tai Chin Wen. As Ms. Wong Siu Yuk is his spouse, Mr. Tai Chin Wen is deemed to be interested in the 1,000,000 shares held by Ms. Wong Siu Yuk under the SFO.

3. Ms. Cheung So Wan is deemed to be interested in the shares held by her spouse, Mr. Tai Chin Chun, under the SFO.

4. Ms. Wong Siu Yuk is deemed to be interested in the shares held by her spouse, Mr. Tai Chin Wen, under the SFO.

5. The interests represented share options granted to Mr. Wong Wai Kong, Elmen, details of which are set out in the section headed "Share option scheme" below.

Save as disclosed above, as at 31 December 2010, 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.

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 2010	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	At 31 December 2010	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	Weighted average closing price immediately before the exercise date 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	1.4
Mr. Tai Chin Wen	2,000,000	–	(2,000,000)	–	–	–	6 October 2004	6 October 2005 to 5 October 2014	1.28	1.24	1.4
Ms. Cheung So Wan	1,000,000	–	(1,000,000)	–	–	–	6 October 2004	6 October 2005 to 5 October 2014	1.28	1.24	1.4
Ms. Wong Siu Yuk	1,000,000	–	(1,000,000)	–	–	–	6 October 2004	6 October 2005 to 5 October 2014	1.28	1.24	1.4
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	N/A
Subtotal	8,000,000	–	(7,000,000)	–	–	1,000,000					

SHARE OPTION SCHEME *(continued)*

Name of category of participant	Number of share options: At 1 January 2010	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	At 31 December 2010	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	Weighted average closing price immediately before the exercise date HK$ per share
Non-director employees											
In aggregate	1,181,000	–	(30,000)	–	–	1,151,000	6 October 2004	6 October 2005 to 5 October 2014	1.28	1.24	1.4
	36,900,000	–	(32,600,000)	–	–	4,300,000	3 July 2009	3 July 2010 to 2 January 2011	0.66	0.65	1.4
	38,081,000	–	(32,630,000)	–	–	5,451,000					
Others											
In aggregate	220,000	–	–	–	–	220,000	6 October 2004	6 October 2005 to 5 October 2014	1.28	1.24	N/A
	26,900,000	–	(26,600,000)	–	–	300,000	3 July 2009	3 July 2010 to 2 January 2011	0.66	0.65	1.4
	27,120,000	–	(26,600,000)	–	–	520,000					
Total	73,201,000	–	(66,230,000)	–	–	6,971,000					

* 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.

CONTRACT OF SIGNIFICANCE

No contracts of significance in relation to the Group's business in which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

PERSONS WHO HAVE AN INTEREST OR SHORT POSITION WHICH IS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO

So far as is known to the Directors and the chief executive of the Company, as at 31 December 2010, 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	Beneficial owner	332,600,000	38.24
Power Strategy	Beneficial owner	96,000,000	11.04

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.

Save as disclosed above, as at 31 December 2010, no person, other than the Directors, whose interests are set out under the sections headed "Directors' interests and short positions in shares and underlying shares" and "Share option scheme" above, had an interest or a short position in the shares or underlying shares of the Company that was required to be recorded in the register pursuant to Section 336 of the SFO.

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

In accordance with the requirements of Rule 13.21 of the Listing Rules, disclosure is required in respect of the loan agreement of the Company, which contains covenants requiring performance obligations of the controlling shareholders of the Company. Pursuant to a facility agreement dated 3 May 2010 and entered into between the Company as borrower and China Development Bank Corporation, Hong Kong Branch as lender, a term loan facility in an aggregate sum of USD12.0 million is made available to the Company repayable in three equal instalments on the dates falling 24, 30 and 36 months after the drawdown date. An event of default would arise if Mr. Tai Chin Chun and Mr. Tai Chin Wen together, either cease to remain as the single largest shareholder of the Company or cease to maintain a beneficial shareholding interest (directly or indirectly) of not less than 35% in the issued share capital of the Company, the commitments under the loan facility may be cancelled and all amounts outstanding under the loan facility may become immediately due and payable.

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
28 March 2011

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 consolidated financial statements of Kam Hing International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 42 to 147, which comprise the consolidated and company statements of financial position as at 31 December 2010, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated 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 about whether the consolidated 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 consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated 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 consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, 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
28 March 2011

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
REVENUE	5	**3,267,785**	2,523,245
Cost of sales		**(2,756,147)**	(2,082,346)
Gross profit		**511,638**	440,899
Other income and gains, net	5	**24,358**	15,936
Selling and distribution costs		**(99,342)**	(102,010)
Administrative expenses		**(286,444)**	(245,618)
Other operating income/(expenses), net		**(4,099)**	142
Finance costs	6	**(27,818)**	(17,452)
Share of profits less losses of a jointly-controlled entity		**4,124**	(563)
Share of profits less losses of associates		**(256)**	(800)
PROFIT BEFORE TAX	7	**122,161**	90,534
Income tax expense	10	**(17,778)**	(9,859)
PROFIT FOR THE YEAR		**104,383**	80,675
Attributable to:			
Ordinary equity holders of the Company	11	**96,484**	83,115
Non-controlling interests		**7,899**	(2,440)
		104,383	80,675
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic		**HK11.9 cents**	HK12.5 cents
Diluted		**HK11.4 cents**	HK12.1 cents

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
PROFIT FOR THE YEAR		**104,383**	80,675
OTHER COMPREHENSIVE EXPENSE			
Exchange differences on translation of foreign operations		**(2,435)**	(1,355)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**101,948**	79,320
Attributable to:			
Ordinary equity holders of the Company	11	**94,049**	81,760
Non-controlling interests		**7,899**	(2,440)
		101,948	79,320

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2010

	Notes	**31 December 2010 HK$'000**	31 December 2009 HK$'000	1 January 2009 HK$'000
NON-CURRENT ASSETS				
Property, plant and equipment	14	**1,512,328**	1,444,534	1,397,747
Prepaid land lease payments	15	**61,463**	63,096	63,458
Intangible assets	16	**–**	2,580	2,973
Interest in a jointly-controlled entity	18	**39,709**	27,416	10,941
Interests in associates	19	**206,992**	300	1,100
Deposits paid	20	**20,730**	21,399	21,436
Deferred tax assets	29	**2,881**	–	–
Total non-current assets		**1,844,103**	1,559,325	1,497,655
CURRENT ASSETS				
Inventories	21	**988,548**	520,992	448,019
Accounts and bills receivable	22	**570,257**	384,711	459,337
Prepayments, deposits and other receivables		**39,340**	31,090	24,103
Equity investment at fair value through profit or loss	23	**607**	573	349
Derivative financial instruments	26	**2,143**	2,314	1,459
Due from non-controlling shareholders		**–**	–	20,258
Due from a jointly-controlled entity	18	**42,441**	6,885	–
Due from an associate	19	**–**	3,287	3,287
Tax recoverable		**–**	45	–
Pledged deposits	24	**87,415**	40,382	8,823
Cash and cash equivalents	24	**252,355**	390,821	137,539
Total current assets		**1,983,106**	1,381,100	1,103,174
CURRENT LIABILITIES				
Accounts and bills payable	25	**754,032**	499,568	312,017
Accrued liabilities and other payables		**225,437**	83,992	97,108
Derivative financial instruments	26	**10,696**	15,436	20,032
Loan from a non-controlling shareholder	37(c)(i)	**–**	8,000	–
Due to an associate	19	**1,600**	–	–
Tax payable		**33,675**	26,272	20,532
Bank advances for discounted bills	22	**24,239**	–	71,088
Interest-bearing bank and other borrowings	27	**825,815**	719,442	623,040
Total current liabilities		**1,875,494**	1,352,710	1,143,817

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 December 2010

	Notes	**31 December 2010 HK$'000**	31 December 2009 HK$'000	1 January 2009 HK$'000
NET CURRENT ASSETS/ (LIABILITIES)		**107,612**	28,390	(40,643)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,951,715**	1,587,715	1,457,012
NON-CURRENT LIABILITIES				
Loan from a non-controlling shareholder	37(c)(i)	**12,000**	–	–
Interest-bearing bank and other borrowings	27	**251,093**	99,610	264,822
Deferred tax liabilities	29	**684**	508	766
Total non-current liabilities		**263,777**	100,118	265,588
Net assets		**1,687,938**	1,487,597	1,191,424
EQUITY				
Equity attributable to ordinary equity holders of the Company				
Issued capital	30	**86,972**	77,349	64,458
Reserves	32(a)	**1,554,122**	1,369,903	1,083,661
		1,641,094	1,447,252	1,148,119
Non-controlling interests		**46,844**	40,345	43,305
Total equity		**1,687,938**	1,487,597	1,191,424

Tai Chin Chun
Director

Tai Chin Wen
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2010

		Attributable to ordinary equity holders of the Company									
		Issued capital	Share premium account	Share option reserve	Capital reserve	Statutory surplus reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	Notes	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2010		77,349	328,579	8,595	104,804	32,138	226,714	669,073	1,447,252	40,345	1,487,597
Profit for the year		–	–	–	–	–	–	96,484	96,484	7,899	104,383
Other comprehensive expense for the year:											
Exchange differences on translation of foreign operations		–	–	–	–	–	(2,435)	–	(2,435)	–	(2,435)
Total comprehensive income for the year		–	–	–	–	–	(2,435)	96,484	94,049	7,899	101,948
Final 2009 dividend declared		–	–	–	–	–	–	(20,088)	(20,088)	–	(20,088)
Dividend paid to a non-controlling shareholder		–	–	–	–	–	–	–	–	(1,400)	(1,400)
Issue of shares	30	9,623	107,448	–	–	–	–	–	117,071	–	117,071
Transfer to share premium account upon exercise of share options	30	–	13,720	(13,720)	–	–	–	–	–	–	–
Share issue expenses	30	–	(3,795)	–	–	–	–	–	(3,795)	–	(3,795)
Equity-settled share option arrangements	31	–	–	6,605	–	–	–	–	6,605	–	6,605
Transfer to statutory surplus reserve		–	–	–	–	1,498	–	(1,498)	–	–	–
At 31 December 2010		86,972	445,952*	1,480*	104,804*	33,636*	224,279*	743,971*	1,641,094	46,844	1,687,938

* These reserve accounts comprise the consolidated reserves of HK$1,554,122,000 (2009: HK$1,369,903,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 31 December 2010

		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	Non-controlling 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
Profit for the year		–	–	–	–	–	–	–	83,115	83,115	(2,440)	80,675
Other comprehensive expense for the year: Exchange differences on translation of foreign operations		–	–	–	–	–	(1,355)	–	–	(1,355)	–	(1,355)
Total comprehensive income for the year		–	–	–	–	–	(1,355)	–	83,115	81,760	(2,440)	79,320
Dividend paid to a non-controlling 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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**122,161**	90,534
Adjustments for:			
Share of profits less losses of a jointly-controlled entity		**(4,124)**	563
Share of profits less losses of associates		**256**	800
Bank interest income	5	**(984)**	(631)
Fair value (gains)/losses, net:			
Equity investment at fair value through profit or loss	5	**(34)**	(224)
Derivative financial instruments – transactions not qualified as hedges but matured during the year	5	**(5,022)**	(8,155)
Derivative financial instruments – transactions not qualified as hedges and not yet matured	5	**8,553**	13,122
Finance costs	6	**26,333**	16,264
Amortisation of bank charges on a syndicated loan	6	**1,485**	1,188
Depreciation of items of property, plant and equipment	7	**184,445**	148,524
Amortisation of prepaid land lease payments	7	**1,501**	1,477
Amortisation of intangible assets	7	**261**	393
Gain on disposal of items of property, plant and equipment	7	**(546)**	(77)
Impairment of intangible assets	7	**2,319**	–
Impairment of accounts receivable	7	**4,190**	134
Write-back of impairment allowance for accounts receivable	7	**(348)**	(3,362)
Impairment of other receivable	7	**–**	574
Write-back of impairment allowance for other receivable	7	**(286)**	–
Provision for/(write-back of provision for) a legal claim	7	**(2,120)**	2,120
Equity-settled share option expense	31	**6,605**	6,461
		344,645	269,705

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES (continued)			
Increase in inventories		**(467,556)**	(72,973)
Decrease/(increase) in accounts and bills receivable		**(189,388)**	77,854
Increase in prepayments, deposits and other receivables		**(7,271)**	(7,524)
Increase in an amount due from a jointly-controlled entity		**(35,556)**	(6,885)
Decrease in amounts due from non-controlling shareholders	33(e)	**–**	68
Increase in accounts and bills payable		**254,464**	187,551
Increase/(decrease) in accrued liabilities and other payables	33(c)	**141,738**	(15,236)
Purchase of derivative financial instruments			
– transactions not qualifying as hedges		**(8,100)**	(10,418)
Cash generated from operations		**32,976**	422,142
Interest received		**984**	631
Interest paid		**(23,771)**	(15,278)
Interest element of finance lease rental payments		**(735)**	(986)
Hong Kong profits tax paid		**(4,431)**	(134)
Overseas taxes paid		**(8,604)**	(4,288)
Net cash flows from/(used in) operating activities		**(3,581)**	402,087
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	33(a)	**(244,024)**	(173,989)
Prepayment of land leases	15	**–**	(1,217)
Proceeds from disposal of items of property,			
plant and equipment	33(b)	**861**	205
Capital contribution to a jointly-controlled entity		**(8,169)**	(17,038)
Capital contribution to an associate		**(1,556)**	–
Advance to an associate	33(d)	**(200,505)**	–
Increase in pledged time deposits		**(47,033)**	(31,559)
Net cash flows used in investing activities		**(500,426)**	(223,598)

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase/(decrease) in bank advances for discounted bills		**24,239**	(71,088)
Proceeds from issue of shares	30	**117,071**	213,480
Proceeds from issue of warrants	30	**–**	1,500
Share issue expenses	30	**(3,795)**	(4,068)
Capital element of finance lease rental payments		**(17,233)**	(25,801)
Drawdown of bank loans		**2,186,660**	1,510,574
Repayment of bank loans		**(2,032,379)**	(1,557,326)
Drawdown of other loans		**108,920**	–
Advance of loan from a non-controlling shareholder		**4,000**	8,000
Dividend paid		**(20,088)**	–
Dividend paid to a non-controlling shareholder		**(1,400)**	(520)
Net cash flows from financing activities		**365,995**	74,751
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(138,012)**	253,240
Cash and cash equivalents at beginning of year		**390,821**	137,539
Effect of foreign exchange rate changes, net		**(454)**	42
CASH AND CASH EQUIVALENTS AT END OF YEAR		**252,355**	390,821
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	**241,348**	348,937
Non-pledged time deposits with original maturity of less than three months when acquired		**11,007**	41,884
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		**252,355**	390,821

STATEMENT OF FINANCIAL POSITION

31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	17	**402,207**	402,285
CURRENT ASSETS			
Prepayments		**–**	105
Due from subsidiaries	17	**775,784**	450,834
Cash and cash equivalents	24	**9,386**	107,922
Total current assets		**785,170**	558,861
CURRENT LIABILITIES			
Accrued liabilities and other payables		**682**	142
Due to a subsidiary	17	**–**	78
Total current liabilities		**682**	220
NET CURRENT ASSETS		**784,488**	558,641
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,186,695**	960,926
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	27	**93,360**	–
Net assets		**1,093,335**	960,926
EQUITY			
Issued capital	30	**86,972**	77,349
Reserves	32(b)	**1,006,363**	883,577
Total equity		**1,093,335**	960,926

Tai Chin Chun
Director

Tai Chin Wen
Director

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 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Basis of consolidation from 1 January 2010

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.1 BASIS OF PREPARATION (CONTINUED)

BASIS OF CONSOLIDATION (CONTINUED)

Basis of consolidation from 1 January 2010 (continued)

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to the consolidated income statement or retained profits, as appropriate.

Basis of consolidation prior to 1 January 2010

All of the above-mentioned requirements for consolidation from 1 January 2010 have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Losses incurred by the Group were attributed to the non-controlling interest (formerly known as minority interest) until the balance was reduced to nil. Any further excess losses were attributable to the Company, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the Company's shareholders.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1 January 2010 has not been restated.

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 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards - Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment - Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement - Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
HKFRS 5 Amendments 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*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 *Lease - Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

Other than as further explained below regarding the impact of amendments to HKAS 7 and HKAS 17 included in *Improvements to HKFRSs 2009* and HK Interpretation 5, the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (CONTINUED)

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

(a) *Improvements to HKFRSs 2009* issued in May 2009 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 7 *Statement of Cash Flows*: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

- HKAS 17 *Leases*: Removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in HKAS 17.

  The Group has reassessed its leases in Hong Kong, Mainland China and Madagascar, previously classified as operating leases, upon the adoption of the amendments. The classification of leases in Mainland China and Madagascar remained as operating leases. As substantially all the risks and rewards associated with the leases in Hong Kong have been transferred to the Group, the leases in Hong Kong are classified as finance leases. In prior years, since the lease payments in Hong Kong could not be allocated reliably between the land and buildings elements, the entire lease payments were included in the cost of the land and the buildings as a finance lease in property, plant and equipment. Accordingly, the adoption of HKAS 17 has had no effect on the consolidated statement of financial position.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (CONTINUED)

(b) HK Interpretation 5 *Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

The interpretation requires a loan that contains a clause that gives the lender the unconditional right to call the loan at any time shall be classified in total by the borrower as current in the statement of financial position. This is irrespective of whether a default event has occurred and notwithstanding any other terms and maturity stated in the loan agreement. Prior to the adoption of this interpretation, certain of the Group's bank loans and finance lease payables were classified in the statement of financial position as non-current liabilities based on the maturity dates of repayment. Upon the adoption of the interpretation, these bank loans and finance lease payables have been reclassified as a current liability. The interpretation has been applied by the Group retrospectively and comparative amounts have been reclassified. In addition, as a result of this change and as required by HKAS 1 *Presentation of Financial Statements*, these financial statements also include a consolidated statement of financial position as at 1 January 2009. Further details of the bank loans and finance lease payables are disclosed in notes 27 and 28 to the financial statements.

The above change has had no effect on the consolidated income statement. The effect on the consolidated statement of financial position is summarised as follows:

	31 December 2010 HK$'000	31 December 2009 HK$'000	1 January 2009 HK$'000
CURRENT LIABILITIES			
Increase in interest-bearing bank and other borrowings	**27,691**	57,283	98,590
NON-CURRENT LIABILITIES			
Decrease in interest-bearing bank and other borrowings	**(27,691)**	(57,283)	(98,590)

There was no impact on the net assets of the Group.

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 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* [2]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* [4]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets* [4]
HKFRS 9	*Financial Instruments* [6]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets* [5]
HKAS 24 (Revised)	*Related Party Disclosures* [3]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* [1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* [3]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [2]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 February 2010
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 July 2011
5 Effective for annual periods beginning on or after 1 January 2012
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 any significant impact on its results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

SUBSIDIARIES

A subsidiary is an entity who's 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IMPAIRMENT OF NON-FINANCIAL ASSETS

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and deferred tax 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.

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.

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:

Leasehold land under finance leases	Over the lease terms
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.

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 impairment losses, if any. 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.

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.

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.

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 a jointly-controlled entity and an associate, an equity investment at fair value through profit or loss 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS AND OTHER FINANCIAL ASSETS (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 by 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.

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; or

- 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.

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, an amount due to an associate and loan from a non-controlling shareholder.

Subsequent measurement

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL LIABILITIES (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 other 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.

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.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROVISIONS

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

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

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 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.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

EMPLOYEE BENEFITS (CONTINUED)

Pension schemes and other retirement benefits

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FOREIGN CURRENCIES (CONTINUED)

The functional currencies of certain overseas subsidiaries, associates 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.

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.

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

JUDGEMENTS (CONTINUED)

Impairment of assets

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

Withholding taxes arising from the distributions of dividends

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

ESTIMATION UNCERTAINTY

The key assumptions concerning the future and other key sources of estimation uncertainty at the 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

ESTIMATION UNCERTAINTY (CONTINUED)

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.

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.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

YEAR ENDED 31 DECEMBER 2010

	Fabric HK$'000	Garment HK$'000	Others HK$'000	Total HK$'000
Segment revenue:				
Revenue from external customers	3,035,308	232,477	–	3,267,785
Intersegment revenue	65,813	–	–	65,813
	3,101,121	232,477	–	3,333,598
Elimination of intersegment revenue				(65,813)
Total revenue				3,267,785
Segment profits/(loss)	116,562	31,890	(2,341)	146,111
Finance costs	(27,309)	(255)	(254)	(27,818)
Share of profits less losses of a jointly-controlled entity	4,124	–	–	4,124
Share of profits less losses of associates	–	–	(256)	(256)
Profit/(loss) before tax	93,377	31,635	(2,851)	122,161
Income tax expense	(15,622)	(1,963)	(193)	(17,778)
Profit/(loss) for the year	77,755	29,672	(3,044)	104,383
Assets and liabilities				
Segment assets	3,451,154	122,951	3,522	3,577,627
Interest in a jointly-controlled entity	39,709	–	–	39,709
Interests in associates	–	–	206,992	206,992
Deferred tax assets	2,881	–	–	2,881
Total assets	3,493,744	122,951	210,514	3,827,209
Segment liabilities	2,087,326	36,973	14,288	2,138,587
Deferred tax liabilities	684	–	–	684
Total liabilities	2,088,010	36,973	14,288	2,139,271

4. OPERATING SEGMENT INFORMATION (CONTINUED)

YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

	Fabric HK$'000	Garment HK$'000	Others HK$'000	Total HK$'000
Other segment information:				
Depreciation and amortisation	182,302	3,576	329	186,207
Loss/(gain) on disposal of items of property, plant and equipment	(573)	27	–	(546)
Impairment of intangible assets	–	–	2,319	2,319
Impairment of accounts receivable	4,179	–	11	4,190
Write-back of impairment allowance for accounts receivable	–	(348)	–	(348)
Write-back of impairment allowance for other receivable	–	(286)	–	(286)
Write-back of provision for a legal claim	–	(2,120)	–	(2,120)
Capital expenditure *	248,966	13,636	1,557	264,159

* Capital expenditure consists of the additions of property, plant and equipment and the capital contribution to a jointly-controlled entity and an associate during the year.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

YEAR ENDED 31 DECEMBER 2009

	Fabric HK$'000	Garment HK$'000	Others 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
	2,328,406	235,625	–	2,564,031
Elimination of intersegment revenue				(40,786)
Total revenue				2,523,245
Segment profits/(loss)	75,538	34,094	(283)	109,349
Finance costs	(17,176)	(228)	(48)	(17,452)
Share of profits less losses of a jointly-controlled entity	(563)	–	–	(563)
Share of profits less losses of associates	–	–	(800)	(800)
Profit/(loss) before tax	57,799	33,866	(1,131)	90,534
Income tax expense	(9,782)	–	(77)	(9,859)
Profit/(loss) for the year	48,017	33,866	(1,208)	80,675
Assets and liabilities				
Segment assets	2,771,678	131,043	9,988	2,912,709
Interest in a jointly-controlled entity	27,416	–	–	27,416
Interests in associates	–	–	300	300
Total assets	2,799,094	131,043	10,288	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

Certain comparative amounts have been revised to conform with the current year’s presentation.

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 ended 31 December 2009,

GEOGRAPHICAL INFORMATION

(a) *Revenue from external customers*

	2010 HK$'000	2009 HK$'000
Singapore	**1,111,330**	978,025
Hong Kong	**745,156**	399,507
Mainland China	**519,978**	289,262
Korea	**384,147**	250,274
Taiwan	**278,436**	243,245
Others	**228,738**	362,932
	3,267,785	2,523,245

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

GEOGRAPHICAL INFORMATION (CONTINUED)

(b) Non-current assets

	2010	2009
	HK$'000	HK$'000
Mainland China	**1,562,197**	1,498,765
Hong Kong	**255,751**	35,801
Madagascar	**22,491**	23,854
Singapore	**79**	116
Others	**704**	789
	1,841,222	1,559,325

The non-current asset information above is based on the location of assets and exclude deferred tax assets.

INFORMATION ABOUT A MAJOR CUSTOMER

Revenue of approximately HK$389,692,000 (2009: HK$359,953,000) was derived from sales by the fabric products segment and subcontracting services 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.

5. REVENUE, OTHER INCOME AND GAINS, NET (CONTINUED)

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

	Note	2010 HK$'000	2009 HK$'000
Revenue			
Production and sale of knitted fabric, dyed yarn and provision of related subcontracting services		**3,035,308**	2,287,671
Production and sale of garment products and provision of related subcontracting services		**232,477**	235,574
		3,267,785	2,523,245
Other income			
Fee income from freight handling services		**4,723**	3,183
Bank interest income		**984**	631
Gross rental income		**389**	535
Others		**21,759**	16,330
		27,855	20,679
Gains, net			
Fair value gains/(losses), net:			
Equity investment at fair value through profit or loss – held for trading	7	**34**	224
Derivative financial instruments – transactions not qualified as hedges but matured during the year	7	**5,022**	8,155
Derivative financial instruments – transactions not qualified as hedges and not yet matured	7	**(8,553)**	(13,122)
		(3,497)	(4,743)
Other income and gains, net		**24,358**	15,936

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Interest on bank loans and overdrafts		
wholly repayable within five years	**23,771**	15,278
Interest on finance leases	**735**	986
Interest on other loans	**1,827**	–
Amortisation of bank charges on a syndicated loan	**1,485**	1,188
	27,818	17,452

7. PROFIT BEFORE TAX

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

		2010	2009
	Notes	**HK$'000**	HK$'000
Cost of inventories sold and services provided		**2,756,147**	2,082,346
Auditors' remuneration		**2,223**	2,088
Research and development costs		**6,206**	5,392
Depreciation of items of property, plant and equipment	14	**184,445**	148,524
Amortisation of prepaid land lease payments	15	**1,501**	1,477
Amortisation of intangible assets	16	**261**	393
Employee benefits expense (excluding directors' remuneration – note 8):			
Wages and salaries		**277,420**	231,156
Equity-settled share option expense		**6,605**	6,461
Pension scheme contributions		**13,935**	11,142
		297,960	248,759

7. PROFIT BEFORE TAX (CONTINUED)

	Notes	2010 HK$'000	2009 HK$'000
Minimum lease payments under operating leases in respect of land and buildings		**6,232**	5,614
Gain on disposal of items of property, plant and equipment		**(546)**	(77)
Impairment of intangible assets	16	**2,319**	–
Impairment of accounts receivable	22	**4,190**	134
Write-back of impairment allowance for accounts receivable	22	**(348)**	(3,362)
Impairment of other receivable		**–**	574
Write-back of impairment allowance for other receivable		**(286)**	–
Provision for/(write-back of provision for) a legal claim	41	**(2,120)**	2,120
Fair value losses/(gains), net			
Equity investment at fair value through profit or loss – held for trading		**(34)**	(224)
Derivative financial instruments – transactions not qualified as hedges but matured during the year		**(5,022)**	(8,155)
Derivative financial instruments – transactions not qualified for hedges and not yet matured		**8,553**	13,122
Foreign exchange differences, net		**(1,491)**	(385)
Subsidy income from the People's Republic of China (the "PRC") government		**(4,559)**	–

The cost of inventories sold and services provided includes depreciation and staff costs of HK$363,126,000 for the year ended 31 December 2010 (2009: HK$296,255,000), which is also included in the respective total amounts disclosed separately above.

The research and development costs include depreciation and staff costs of HK$5,324,000 for the year ended 31 December 2010 (2009: HK$4,875,000), which is also included in the respective total amounts disclosed separately above.

At 31 December 2010, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2009: Nil).

8. DIRECTORS' REMUNERATION

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

	Group	
	2010 HK$'000	2009 HK$'000
Fees	**900**	645
Other emoluments:		
Salaries, allowances and benefits in kind	**13,715**	11,319
Discretionary bonuses	**–**	1,808
Pension scheme contributions	**85**	103
	13,800	13,230
	14,700	13,875

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2010					
Executive directors:					
Tai Chin Chun	–	3,950	–	12	3,962
Tai Chin Wen	–	3,200	–	12	3,212
Cheung So Wan	–	1,560	–	12	1,572
Wong Siu Yuk	–	1,560	–	12	1,572
Chong Chau Lam	–	1,755	–	12	1,767
Wong Wai Kong, Elmen	–	1,690	–	12	1,702
Non-executive director:					
Lee Cheuk Yin, Dannis	360	–	–	4	364
Independent non-executive directors:					
Chu Hak Ha, Mimi	180	–	–	3	183
Chan Yuk Tong, Jimmy	180	–	–	3	183
Ho Gilbert Chi Hang	118	–	–	–	118
Chan Chung Yuen, Lawrence	62	–	–	3	65
Total	900	13,715	–	85	14,700

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
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

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 (2009: five) directors, details of whose remuneration are set out in note 8 above.

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

10. INCOME TAX

	Group	
	2010	2009
	HK$'000	HK$'000
Current tax – Hong Kong		
Charge for the year	**8,791**	3,466
Overprovision in prior years	**(813)**	(391)
Current tax – Elsewhere		
Charge for the year	**12,436**	7,048
Under/(over) provision in prior years	**69**	(6)
Deferred tax credit (note 29)	**(2,705)**	(258)
Total tax charge for the year	**17,778**	9,859

Hong Kong profits tax has been provided on the estimated assessable profits arising in Hong Kong at the rate of 16.5% (2009: 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$6,699,000 (2009: HK$12,670,000) 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.

Pursuant to the Corporate Income Tax Law of 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%.

10. INCOME TAX (CONTINUED)

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 corporate income tax in the PRC. The applicable tax rate of Kam Sing and En Ping KH, 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 – 2010

	Hong Kong HK$'000	Mainland China HK$'000	Others HK$'000	Total HK$'000
Profit before tax	35,198	68,389	18,574	122,161
Tax at the statutory tax rate	5,807	17,097	1,898	24,802
Lower tax rate enacted by local authority	–	(3,505)	(48)	(3,553)
Profits less losses attributable to a jointly-controlled entity and associates	(638)	–	–	(638)
Adjustments in respect of current tax of prior years	(813)	73	(4)	(744)
Lower tax rate due to tax holiday	–	–	(1,855)	(1,855)
Income not subject to tax	(422)	(5,279)	(11)	(5,712)
Expenses not deductible for tax	4,297	1,798	52	6,147
Others	(70)	(663)	64	(669)
Tax charge at the Group's effective rate	8,161	9,521	96	17,778

10. INCOME TAX (CONTINUED)

Group – 2009

	Hong Kong HK$'000	Mainland China HK$'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)
Profits 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

The share of tax attributable to a jointly-controlled entity amounting to HK$945,000 (2009: Nil), and is included in "Share of profits less losses of a jointly-controlled entity" in the consolidated income statement.

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 2010 includes a profit of HK$32,616,000 (2009: HK$122,424,000) which has been dealt with in the financial statements of the Company (note 32(b)).

12. DIVIDEND

	2010	2009
	HK$'000	HK$'000
Proposed final – HK2.7 cents (2009: HK2.5 cents) per ordinary share	**23,500**	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.

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$96,484,000 (2009: HK$83,115,000), and the weighted average of 814,112,534 (2009: 667,304,233) ordinary shares deemed to have been in issue during the year.

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company of HK$96,484,000 (2009: 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.

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

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

	2010	2009
	HK$'000	HK$'000
Earnings		
Profit attributable to ordinary equity holders of the Company	**96,484**	83,115

	Number of shares	
	2010	2009
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**814,112,534**	667,304,233
Effect of dilution – weighted average number of ordinary shares:		
Share options	**33,325,113**	15,895,506
Warrants	**–**	1,410,648
	847,437,647	684,610,387

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 2010						
Cost:						
At 1 January 2010	**337,592**	**1,650,565**	**58,936**	**24,905**	**103,857**	**2,175,855**
Additions	**612**	**29,583**	**3,588**	**4,499**	**216,152**	**254,434**
Disposals	**–**	**(1,147)**	**(93)**	**(2,052)**	**–**	**(3,292)**
Transfers	**21,072**	**239,560**	**54**	**–**	**(260,686)**	**–**
Exchange realignment	**(859)**	**(1,604)**	**(104)**	**(63)**	**–**	**(2,630)**
At 31 December 2010	**358,417**	**1,916,957**	**62,381**	**27,289**	**59,323**	**2,424,367**
Accumulated depreciation:						
At 1 January 2010	**69,149**	**595,924**	**49,188**	**17,060**	**–**	**731,321**
Charge for the year	**17,343**	**158,797**	**5,322**	**2,983**	**–**	**184,445**
Disposals	**–**	**(1,047)**	**(82)**	**(1,841)**	**–**	**(2,970)**
Exchange realignment	**(149)**	**(489)**	**(65)**	**(54)**	**–**	**(757)**
At 31 December 2010	**86,343**	**753,185**	**54,363**	**18,148**	**–**	**912,039**
Net book value:						
At 31 December 2010	**272,074**	**1,163,772**	**8,018**	**9,141**	**59,323**	**1,512,328**
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

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

GROUP (CONTINUED)

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

	2010	2009
	HK$'000	HK$'000
Medium-term leases		
– in Hong Kong	**2,659**	2,256
– outside Hong Kong	**269,415**	266,187
	272,074	268,443

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

	2010	2009
	HK$'000	HK$'000
Plant and machinery	**57,578**	63,225
Furniture, fixtures and office equipment	**–**	39
Motor vehicles	**1,814**	483
	59,392	63,747

As at 31 December 2010, 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$13.4 million (2009: HK$14.2 million) and HK$96 million (2009: HK$92 million) 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.

15. PREPAID LAND LEASE PAYMENTS

	Group	
	2010	2009
	HK$'000	HK$'000
Carrying amount at 1 January	**64,573**	64,898
Prepaid during the year	**–**	1,217
Amortised during the year	**(1,501)**	(1,477)
Exchange realignment	**(108)**	(65)
Carrying amount at 31 December	**62,964**	64,573
Current portion included in prepayments, deposits and other receivables	**(1,501)**	(1,477)
Non-current portion	**61,463**	63,096

The Group's prepaid land lease payments comprise:

	2010	2009
Land outside Hong Kong:		
Long-term lease	**1,049**	1,169
Medium-term leases	**61,915**	63,404
	62,964	64,573

16. INTANGIBLE ASSETS

GROUP

	Exploration licences and assets	
	2010	2009
	HK$'000	HK$'000
Cost at 1 January, net of accumulated amortisation	**2,580**	2,973
Amortisation provided during the year	**(261)**	(393)
Impairment during the year	**(2,319)**	–
At 31 December	**–**	2,580
At 31 December:		
Cost	**3,365**	3,365
Accumulated amortisation and impairment	**(3,365)**	(785)
Net carrying amount	**–**	2,580

During the year, an impairment loss of HK$2,319,000 was recognised as the directors considered the recoverable amount of the intangible assets through use was minimal.

17. INTERESTS IN SUBSIDIARIES

	Company	
	2010	2009
	HK$'000	HK$'000
Unlisted investments, at cost	**402,207**	402,285

The amounts due from subsidiaries included in the Company's current assets of HK$775,784,000 (2009: HK$450,834,000) are unsecured, interest-free and have no fixed terms of repayment. The amount due to a subsidiary as at 31 December 2009 included in the Company's current liabilities of HK$78,000 was unsecured, interest-free and was fully settled during the year.

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
Indirectly held:				
Kam Hing International Limited ("Kam Hing International")*	BVI/ Hong Kong	US$10,000	100	Investment holding
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

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
Jiangmen Ying Hing Garment Co Limited ("Ying Hing")*#	PRC/ Mainland China	HK$10,000,000 (Note (c))	100	Manufacture and trading of garment products
En Ping KH*	PRC/ Mainland China	US$11,822,000 (Note (d))	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$9,426,000 (Note (e))	60	Manufacture and trading of knitted and dyed fabrics
Kam Sing*	PRC/ Mainland China	HK$6,000,000 (Note (f))	100	Manufacture and trading of knitted and dyed fabrics

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 (g))	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 (h))	100	Dormant
Kam Hing Mining Madagascar*	Madagascar	MGA100,000,000	100	Dormant
Sparkle Logistics Limited	Hong Kong	HK$3,800,000	92	Provision of air and ocean freight services
Kam Hing Korea Limited*	Korea	WON50,000,000	65	Provision of customer services
Kam Hing Piece Works (S) Pte Limited*	Singapore	S$100,000	100	Provision of customer services
Guangzhou Kam Yam Garment Design Co. Ltd. ("Kam Yam")*	PRC/ Mainland China	HK$400,000 (Note (i))	100	Provision of knitting and dyeing services and trading of finished fabrics

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 Gong Zhan Plastic Products Limited ("Gong Zhan")*	PRC/ Mainland China	HK$500,000 (Note (j))	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 yarns 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

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.

(c) Ying Hing is registered as a wholly-foreign-owned enterprise under the PRC law with an operating period of 20 years commencing from 7 September 2010. The registered capital of Ying Hing amounted to HK$20,000,000 and the remaining unpaid capital contribution of HK$10,000,000 was included as capital commitments at 31 December 2010 as disclosed in note 36 to the financial statements.

(d) 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 (2009: US$63,178,000) (equivalent to approximately HK$491,525,000 (2009: HK$491,525,000)) was included as capital commitments at 31 December 2010 as disclosed in note 36 to the financial statements.

(e) 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$2,574,000 (2009: US$4,989,000) (equivalent to approximately HK$20,026,000 (2009: HK$38,814,000)) was included as capital commitments at 31 December 2010 as disclosed in note 36 to the financial statements.

(f) 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.

(g) 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.

(h) 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 was reduced from HK$10,000,000 to HK$2,000,000 during the year, which had been fully paid up in the prior year.

(i) 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.

(j) 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 statutory financial statements of these subsidiaries are not audited by Ernst & Young, Hong Kong or another 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.

18. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	Group	
	2010	2009
	HK$'000	HK$'000
Share of net assets	**39,709**	27,416

The amount due from the jointly-controlled entity included in the Group's current assets of HK$42,441,000 (2009: HK$6,885,000) represents accounts receivable of HK$27,887,000 (2009: Nil), which is unsecured, interest-free and repayable within one month, and prepayments for purchases of HK$14,554,000 (2009: HK$6,885,000), which are unsecured, interest-free and have no fixed terms of repayment.

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	25	40	25	Manufacture and trading of cotton spinning

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

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

18. INTEREST IN A JOINTLY-CONTROLLED ENTITY (CONTINUED)

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

	2010 **HK$'000**	2009 HK$'000
Share of the jointly-controlled entity's assets and liabilities:		
Non-current assets	**30,903**	32,539
Current assets	**35,996**	10,233
Current liabilities	**(27,190)**	(15,356)
Net assets	**39,709**	27,416
Share of the jointly-controlled entity's results:		
Revenue	**62,859**	26,105
Total expenses	**(57,790)**	(26,668)
Tax	**(945)**	–
Profit/(loss) after tax	**4,124**	(563)

19. INTERESTS IN ASSOCIATES

	Group	
	2010 **HK$'000**	2009 HK$'000
Share of net assets	**1,600**	300
Advance to an associate	**205,392**	–
	206,992	300

The amount due to an associate included in the Group's current liabilities of HK$1,600,000 (2009: amount due from an associate of HK$3,287,000 included in the Group's current assets) is unsecured, interest-free and has no fixed terms of repayment.

The advance to an associate is unsecured, interest-free and has no fixed terms of repayment. In the opinion of the directors, this advance is considered as a quasi-equity investment in the associate.

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 ("Wisco Kam Hing")*	Ordinary shares of HK$1 each	Hong Kong	40	Investment holding
Hong Kong Wisco Guangxin Kam Wah Resources Limited ("Hong Kong Wisco")	Ordinary shares of HK$1 each	Hong Kong	20	Investment holding
Madagascar Wisco Guangxin Kam Wah Resources S.A. ("Madagascar Wisco")*	Ordinary shares of MGA200,000 each	Madagascar	20	Mining investment and exploration and exploitation for natural resources

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

The Group's shareholding in Wisco Kam Hing and Hong Kong Wisco are held through a wholly-owned subsidiary of the Company. Madagascar Wisco is a wholly-owned subsidiary of Hong Kong Wisco.

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

	Group	
	2010	2009
	HK$'000	HK$'000
Assets	**1,064,652**	17,754
Liabilities	**(1,064,061)**	(16,181)
Loss	**(5,060)**	(4,051)

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

20. DEPOSITS PAID

	Group	
	2010	2009
	HK$'000	HK$'000
Deposits paid for acquisition of:		
Mining and exploration rights	**–**	669
Land use rights	**20,730**	20,730
	20,730	21,399

21. INVENTORIES

	Group	
	2010	2009
	HK$'000	HK$'000
Raw materials	**711,051**	310,221
Work in progress	**140,455**	110,209
Finished goods	**137,042**	100,562
	988,548	520,992

22. ACCOUNTS AND BILLS RECEIVABLE

	Group	
	2010	2009
	HK$'000	HK$'000
Accounts and bills receivable	**579,719**	391,528
Impairment	**(9,462)**	(6,817)
	570,257	384,711

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	
	2010	2009
	HK$'000	HK$'000
Within 1 month	**307,266**	159,956
1 to 2 months	**174,662**	105,647
2 to 3 months	**57,100**	85,085
Over 3 months	**31,229**	34,023
	570,257	384,711

Included in the above accounts and bills receivable as at 31 December 2010, amounts totalling HK$24,239,000 (2009: Nil) 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	
	2010	2009
	HK$'000	HK$'000
At 1 January	**6,817**	10,045
Impairment losses recognised (note 7)	**4,190**	134
Write-back of impairment losses (note 7)	**(348)**	(3,362)
Write-off as uncollectible	**(1,197)**	–
At 31 December	**9,462**	6,817

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 in aggregate of HK$9,462,000 (2009: HK$6,817,000) with a carrying amount before impairment allowance in aggregate of HK$9,462,000 (2009: HK$6,817,000). The individually impaired accounts receivable relate to customers that were in default or delinquency in payments. 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	
	2010	2009
	HK$'000	HK$'000
Neither past due nor impaired	**417,653**	210,275
Less than 1 month past due	**113,851**	83,207
1 to 6 months past due	**38,085**	88,284
Over 6 months past due	**668**	2,945
	570,257	384,711

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.

23. EQUITY INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2010	2009
	HK$'000	HK$'000
Equity investment listed outside Hong Kong, at market value	**607**	573

The above equity investment was classified as held for trading at 31 December 2010 and 2009.

24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

		Group		Company	
	Note	**2010**	2009	**2010**	2009
		HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances		**241,348**	348,937	**9,386**	107,922
Time deposits		**98,422**	82,266	**–**	–
		339,770	431,203	**9,386**	107,922
Less: Pledged time deposits for banking facilities	27	**(87,415)**	(40,382)	**–**	–
Cash and cash equivalents		**252,355**	390,821	**9,386**	107,922

As at 31 December 2010, the cash and bank balances of the Group denominated in RMB amounted to approximately HK$153,929,000 (2009: HK$74,971,000). 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.

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	
	2010	2009
	HK$'000	HK$'000
Within 3 months	**576,934**	419,949
3 to 6 months	**170,730**	79,220
6 to 12 months	**2,365**	130
Over 1 year	**4,003**	269
	754,032	499,568

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

26. DERIVATIVE FINANCIAL INSTRUMENTS

	Assets		Liabilities	
	2010	2009	**2010**	2009
Group	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Forward currency contracts	**2,143**	2,314	**1,035**	530
Interest rate swaps	**–**	–	**9,661**	14,906
	2,143	2,314	**10,696**	15,436

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, net, amounting to HK$3,531,000 (2009: HK$4,967,000) were charged to the income statement during the year.

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

GROUP

	31 December 2010			31 December 2009			1 January 2009		
	Effective interest rate (%)	**Maturity**	**HK$'000**	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000
Current (Note)									
Finance lease payables (note 28)	**1.6 to 8.4**	**2011**	**27,240**	1.5 to 10.9	2010	36,168	2.9 to 11.2	2009	55,814
Bank loans – unsecured	**Weighted average of HIBOR/ LIBOR/ SIBOR/ PBOC +0.8 to 5.84**	**2011**	**689,655**	Weighted average of HIBOR/ LIBOR/ SIBOR/ PBOC + 0.68 to 2.59	2010	683,274	Weighted average of HIBOR/ LIBOR/ SIBOR/ PBOC + 0.5 to 1.75	2009	567,226
Other loans – unsecured	**2.93**	**On demand**	**108,920**	–	–	–	–	–	–
			825,815			719,442			623,040
Non-current									
Finance lease payables (note 28)	**2.5 to 8.4**	**2012 – 2013**	**5,205**	2.3 to 8.4	2011 – 2012	3,107	4.6 to 4.9	2010 – 2012	6,707
Bank loans – unsecured	**HIBOR +2.4 to 90% of PBOC**	**2013**	**245,888**	HIBOR + 0.68	2011	96,503	HIBOR + 0.68	2011	258,115
			251,093			99,610			264,822
			1,076,908			819,052			887,862

27. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

	Group		
	31 December 2010 HK$'000	31 December 2009 HK$'000	1 January 2009 HK$'000
Analysed into:			
Bank loans repayable:			
Within one year or on demand (Note)	**689,655**	683,274	567,226
In the second year	**84,665**	96,503	161,612
In the third to fifth years, inclusive	**161,223**	–	96,503
	935,543	779,777	825,341
Other loans repayable:			
On demand	**108,920**	–	–
Finance lease payables:			
Within one year or on demand (Note)	**27,240**	36,168	55,814
In the second year	**3,790**	2,846	3,894
In the third to fifth years, inclusive	**1,415**	261	2,813
	32,445	39,275	62,521
	1,076,908	819,052	887,862

Note: As further explained in notes 2.2 and 40 to the financial statements, due to the adoption of HK Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan That Contains a Repayment on Demand Clause* in the current reporting period, the Group's bank loans in the amount of HK$17,675,000 (2009: HK$36,375,000) and finance lease payables in the amount of HK$10,016,000 (2009: HK$20,908,000) containing a repayment on demand clause have been reclassified as current liabilities. For the purpose of the above analysis, these bank loans and finance lease payables are included within current interest-bearing bank and other borrowings and analysed into bank loans and finance lease payables within one year or on demand, respectively.

Based on the maturity terms of the bank loans, the amounts repayable in respect of the bank loans are: HK$671,980,000 (2009: HK$646,899,000) payable within one year or on demand; HK$100,965,000 (2009: HK$115,203,000) payable in the second year; and HK$162,598,000 (2009: HK$17,675,000) payable in the third to fifth years, inclusive.

Based on the maturity terms of the finance lease payables, the amounts repayable in respect of the finance lease payables are: HK$17,224,000 (2009: HK$15,260,000) payable within one year or on demand; HK$13,586,000 (2009: HK$13,789,000) payable in the second year; and HK$1,635,000 (2009: HK$10,226,000) payable in the third to fifth years, inclusive.

27. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

COMPANY

	2010			2009		
	Effective interest rate (%)	**Maturity**	**HK$'000**	Effective interest rate (%)	Maturity	HK$'000
Non-current						
Bank loan - unsecured	**LIBOR + 3**	**2013**	**93,360**	–	–	–

	Company	
	2010	2009
	HK$'000	HK$'000
Analysed into:		
Bank loan repayable:		
Within one year or on demand	**–**	–
In the second year	**62,240**	–
In the third to fifth years, inclusive	**31,120**	–
	93,360	–

The Group's other loans, which are advanced by two joint-venture partners, are unsecured, bear interest at 2.93% per annum and are repayable on demand.

As at 31 December 2010, the banking facilities of the Group were secured by the Group's pledged bank deposits of HK$87,415,000 (2009: HK$40,382,000) (note 24), and were supported by corporate guarantees executed by the Company and certain subsidiaries of the Company.

As at 31 December 2010, 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 2010, except for the bank loans of HK$271,507,000 (2009: HK$105,882,000) and HK$303,365,000 (2009: HK$205,641,000) which were denominated in RMB and US$, respectively, and the other loans of HK$108,920,000 (2009: Nil), which were denominated in US$, all borrowings were denominated in Hong Kong dollars.

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 three years.

At 31 December 2010, 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		
	31 December 2010 HK$'000	31 December 2009 HK$'000	1 January 2009 HK$'000	**31 December 2010 HK$'000**	31 December 2009 HK$'000	1 January 2009 HK$'000
Amounts payable:						
Within one year	**27,891**	36,911	58,643	**27,240**	36,168	55,814
In the second year	**3,923**	2,891	4,127	**3,790**	2,846	3,894
In the third to fifth years, inclusive	**1,434**	275	2,871	**1,415**	261	2,813
Total minimum finance lease payments	**33,248**	40,077	65,641	**32,445**	39,275	62,521
Future finance charges	**(803)**	(802)	(3,120)			
Total net finance lease payables	**32,445**	39,275	62,521			
Portion classified as current liabilities (Note) (note 27)	**(27,240)**	(36,168)	(55,814)			
Non-current portion (note 27)	**5,205**	3,107	6,707			

At 31 December 2010, 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: As further explained in notes 2.2, 27 and 40 to the financial statements, due to the adoption of HK Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan That Contains a Repayment on Demand Clause* in the current reporting period, the Group's finance lease payables in the amount of HK$10,016,000 (2009: HK$20,908,000) containing a repayment on demand clause have been reclassified as current liabilities. For the purpose of the above analysis, these finance lease payables are included within current interest-bearing bank and other borrowings and analysed into finance lease payables within one year or on demand.

Based on the maturity terms of the finance lease payables, the amounts repayable in respect of the finance lease payables are: HK$17,224,000 (2009: HK$15,260,000) payable within one year or on demand; HK$13,586,000 (2009: HK$13,789,000) payable in the second year; and HK$1,635,000 (2009: HK$10,226,000) payable in the third to fifth years, inclusive.

29. DEFERRED TAX

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

DEFERRED TAX LIABILITIES

	Depreciation allowance in excess of related depreciation	
	2010	2009
	HK$'000	HK$'000
At 1 January	**508**	766
Deferred tax charged/(credited) to the income statement during the year (note 10)	**176**	(258)
At 31 December	**684**	508

DEFERRED TAX ASSETS

	Deductible temporary difference	
	2010	2009
	HK$'000	HK$'000
At 1 January	**–**	–
Deferred tax credited to the income statement during the year (note 10)	**2,881**	–
At 31 December	**2,881**	–

29. DEFERRED TAX (CONTINUED)

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

At 31 December 2010, 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 and jointly-controlled entity established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries and the jointly-controlled entity will distribute such earnings in the foreseeable future.

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

30. SHARE CAPITAL

	2010 **HK$'000**	2009 HK$'000
Authorised:		
2,000,000,000 (2009: 2,000,000,000) ordinary shares of HK$0.1 each	**200,000**	200,000
Issued and fully paid:		
869,719,000 (2009: 773,489,000) ordinary shares of HK$0.1 each	**86,972**	77,349

30. SHARE CAPITAL (CONTINUED)

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 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)	91,500,000	9,150	149,850	159,000
Warrants exercised		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 and 1 January 2010		773,489,000	77,349	328,579	405,928
Share options exercised	(a)	66,230,000	6,623	41,448	48,071
Placement of new shares	(b)	30,000,000	3,000	66,000	69,000
		96,230,000	9,623	107,448	117,071
		869,719,000	86,972	436,027	522,999
Share issue expenses		–	–	(3,795)	(3,795)
Transfer from share option reserve		–	–	13,720	13,720
At 31 December 2010		869,719,000	86,972	445,952	532,924

30. SHARE CAPITAL (CONTINUED)

Notes:

(a) During the year, the subscription rights attaching to 66,230,000 share options were exercised, of which 7,030,000 and 59,200,000 share options were exercised at the subscription prices of HK$1.28 per share and HK$0.66 per share, respectively (note 31), resulting in the issue of 66,230,000 shares of HK$0.1 each for a total cash consideration, before related issuance expenses, of approximately HK$48,071,000.

During the year ended 31 December 2009, 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 15 January 2010, the Company entered into a placing agreement with a placing agent, pursuant to which the Company has agreed to place 30,000,000 new shares of the Company of HK$0.1 each through the placing agent to an independent third party, at the subscription price of HK$2.3 per share.

On 25 January 2010, 30,000,000 shares of HK$0.1 each were issued for cash at a subscription price of HK$2.3 per share pursuant to the placing agreement dated 15 January 2010 for a total cash consideration, before related expenses, of HK$69,000,000.

During the year ended 31 December 2009, on 10 August 2009, Exceed Standard and independent subscribers entered into shares placing agreements, pursuant to which such 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.

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.

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.

30. SHARE CAPITAL (CONTINUED)

WARRANTS

On 10 August 2009, the Company and independent 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. 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 ended 31 December 2009, 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 for a total consideration, before related expenses, of HK$45,000,000. At the end of the reporting period, the Company had no outstanding warrants.

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 non-controlling 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.

31. SHARE OPTION SCHEME (CONTINUED)

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.

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

	2010		2009	
	Weighted average exercise price HK$ per share	**Number of options '000**	Weighted average exercise price HK$ per share	Number of options '000
At 1 January	**0.74**	**73,201**	2.13	59,317
Granted during the year	**–**	**–**	0.66	63,800
Exercised during the year	**0.73**	**(66,230)**	1.28	(7,406)
Lapsed during the year	**–**	**–**	2.47	(42,510)
At 31 December	**0.84**	**6,971**	0.74	73,201

31. SHARE OPTION SCHEME (CONTINUED)

The weighted average share price at the date of exercise for share options exercised during the year was HK$1.39 (2009: HK$2.98) per share.

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

2010

Number of options '000	Exercise price HK$ per share	Exercise period
2,371	1.28	6 October 2005 to 5 October 2014
4,600	0.66	3 July 2010 to 2 January 2011
6,971		

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		

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

31. SHARE OPTION SCHEME (CONTINUED)

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

For the share options granted on 3 July 2009, the fair value of these share options at the date of grant of HK$13,066,000 was estimated using the Binomial Option Pricing model and of which the Group recognised share option expenses of HK$6,461,000 and HK$6,605,000 in the share option reserve during the years ended 31 December 2009 and 31 December 2010, respectively. Details of the underlying inputs to the model were disclosed in the annual report of the Company for the year ended 31 December 2009.

The 66,230,000 share options exercised during the year resulted in the issue of 66,230,000 ordinary shares of the Company and new share capital of HK$6,623,000 and share premium of HK$41,448,000 (before related issuance expenses), as further detailed in note 30 to the financial statements.

The 6,971,000 share options outstanding as at 31 December 2010 under the Scheme, represented approximately 0.8% 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 6,971,000 additional ordinary shares of the Company and additional share capital of HK$697,000 and share premium of HK$5,374,000 (before related issuance expenses).

At the date of approval of these financial statements, the Company had 1,280,000 share options outstanding under the Scheme, which represented approximately 0.1% of the Company's shares in issue as at that date.

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.

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 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 and 1 January 2010	328,579	8,595	402,007	–	144,396	883,577
Final 2009 dividend declared	–	–	–	–	(20,088)	(20,088)
Issue of shares (note 30)	107,448	–	–	–	–	107,448
Equity-settled share option arrangements (note 31)	–	6,605	–	–	–	6,605
Transfer to share premium account upon exercise of share options (note 30)	13,720	(13,720)	–	–	–	–
Share issue expenses (note 30)	(3,795)	–	–	–	–	(3,795)
Total comprehensive income for the year	–	–	–	–	32,616	32,616
At 31 December 2010	445,952	1,480	402,007	–	156,924	1,006,363

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$10,410,000 (2009: HK$2,581,000).

(b) During the year, the sales proceeds of HK$7,000 (2009: 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.

(c) During the year, the interest expense of HK$1,827,000 (2009: Nil) on the Group's other loans remained unpaid, and the related interest payables were included in accrued liabilities and other payables as at 31 December 2010.

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

MAJOR NON-CASH TRANSACTIONS (CONTINUED)

(d) During the year, an associate of the Group made advance of HK$4,887,000 (2009: Nil) to another associate of the Group on behalf of the Group and had no cash flow impact to the Group.

(e) During the year ended 31 December 2009, the balance due from a non-controlling shareholder of HK$20,190,000 was settled through the addition of items of property, plant and equipment with costs in aggregate of the same amount.

34. CONTINGENT LIABILITIES

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

	Company	
	2010	2009
	HK$'000	HK$'000
Guarantees given to banks in connection with facilities granted to and fully utilised by subsidiaries	**1,365,337**	1,137,996
	1,365,337	1,137,996

35. OPERATING LEASE ARRANGEMENTS

(a) AS LESSOR

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

At 31 December 2010, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2010 **HK$'000**	2009 HK$'000
Within one year	**133**	198
In the second to fifth years, inclusive	**282**	377
After five years	**105**	143
	520	718

(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 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2010 **HK$'000**	2009 HK$'000
Within one year	**6,414**	3,220
In the second to fifth years, inclusive	**8,250**	3,745
After five years	**27,214**	6,265
	41,878	13,230

The Company had no significant operating lease commitments at 31 December 2010 (2009: 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:

	2010 HK$'000	2009 HK$'000
Contracted but not provided for:		
Purchases of machinery	**23,807**	3,589
Construction in progress	**17,306**	36,781
Investment in a jointly-controlled entity	**–**	8,409
Others	**–**	160
	41,113	48,939

The Group had outstanding commitments amounted to HK$521,551,000 (2009: HK$538,339,000) as at the end of the reporting period in respect of the investments in subsidiaries.

The Group had outstanding commitments amounted to HK$295,862,000 (2009: HK$269,485,000) as at the end of the reporting period in respect of irrevocable letters of credit.

The Company had no significant commitments at 31 December 2010 (2009: 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	**2010 HK$'000**	2009 HK$'000
Rental expenses on office premises and a staff quarter paid to Tai Chin Chun and Tai Chin Wen	(i)	**447**	372
Rental expenses on staff quarters paid to Cheung So Wan and Wong Siu Yuk	(ii)	**212**	212
Rental expenses on an office premise and car parks paid to Chin Tai Wing	(iii)	**263**	263
Sales of raw materials to a jointly-controlled entity	(iv)	**35,590**	–
Purchases of yarns from a jointly-controlled entity	(v)	**125,616**	14,265

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 (adjusted to HK$32,500 starting from 1 March 2010) and HK$6,000 for terms of one year and ten months and two years, respectively, based on the terms mutually agreed by both parties.

(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 terms mutually agreed by both parties.

(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 on 30 December 2009, based on the then prevailing market rentals.

(iv) The sales of raw materials to the jointly-controlled entity was determined based on the terms mutually agreed by both parties.

(v) The cost of purchases of yarns from the jointly-controlled entity was determined based on the terms mutually agreed by both parties.

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(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$3.3 million (2009: HK$3.5 million) as at 31 December 2010.

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 non-controlling shareholder of HK$12,000,000 (2009: HK$8,000,000) as at the end of the reporting period. The loan is unsecured, interest-free and repayable on 31 January 2012 (2009: no fixed terms of repayment).

(ii) 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.

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

	2010 **HK$'000**	2009 HK$'000
Short-term employee benefits	**14,615**	13,772
Post-employment benefits	**85**	103
	14,700	13,875

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

(e) The Group's non-controlling shareholder has given counter-indemnity up to HK$36,200,000 (2009: up to HK$28,200,000) in favour of the Company in respect of the corporate guarantee up to HK$90,500,000 (2009: 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).

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:

2010 **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	–	570,257	570,257
Financial assets included in prepayments, deposits and other receivables	–	10,539	10,539
Equity investment at fair value through profit or loss	607	–	607
Derivative financial instruments	2,143	–	2,143
Due from a jointly-controlled entity	–	27,887	27,887
Pledged deposits	–	87,415	87,415
Cash and cash equivalents	–	252,355	252,355
	2,750	948,453	951,203

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	–	754,032	754,032
Financial liabilities included in accrued liabilities and other payables	–	34,660	34,660
Derivative financial instruments	10,696	–	10,696
Loan from a non-controlling shareholder	–	12,000	12,000
Due to an associate	–	1,600	1,600
Bank advances for discounted bills	–	24,239	24,239
Interest-bearing bank and other borrowings	–	1,076,908	1,076,908
	10,696	1,903,439	1,914,135

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 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

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 non-controlling shareholder	–	8,000	8,000
Interest-bearing bank and other borrowings	–	819,052	819,052
	15,436	1,360,072	1,375,508

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)

2010 **Company**

Financial assets

	Loans and receivables HK$'000
Due from subsidiaries	**775,784**
Cash and cash equivalents	**9,386**
	785,170

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Financial liabilities included in accrued liabilities and other payables	**132**

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 Company

Financial assets

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

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

39. FAIR VALUE AND FAIR VALUE HIERARCHY

At the end of the reporting period, the carrying amounts of the Group's and the Company's financial assets and financial liabilities approximated their fair values.

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)

39. FAIR VALUE AND FAIR VALUE HIERARCHY (CONTINUED)

Assets measured at fair value:

GROUP

	Level 1 HK$'000	**Level 2** HK$'000	**Total** HK$'000
As at 31 December 2010			
Equity investment at fair value through profit or loss	**607**	**–**	**607**
Derivative financial instruments	**–**	**2,143**	**2,143**
	607	**2,143**	**2,750**
As at 31 December 2009			
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:

	Level 1 HK$'000	**Level 2** HK$'000	**Total** HK$'000
As at 31 December 2010			
Derivative financial instruments	**–**	**10,696**	**10,696**
As at 31 December 2009			
Derivative financial instruments	–	15,436	15,436

39. FAIR VALUE AND FAIR VALUE HIERARCHY (CONTINUED)

As at 31 December 2010, the Group had no financial instruments measured at fair value under Level 3.

The Company did not have any financial liabilities measured at fair value as at 31 December 2010 (2009: Nil).

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2009: Nil).

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/to a jointly-controlled entity 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.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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.

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
2010		
Hong Kong dollar – HIBOR	**0.3**	**1,066**
United States dollar – LIBOR	**0.1**	**265**
RMB – PBOC	**0.5**	**937**
2009		
Hong Kong dollar – HIBOR	0.3	1,840
United States dollar – LIBOR	0.1	169
RMB – PBOC	0.5	402

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

MARKET RISK

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

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

COMMODITY PRICE RISK

The major raw materials used in the production of the Group's products include 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
2010			
If Hong Kong dollar weakens against RMB	**3**	**15,655**	**–**
If Hong Kong dollar strengthens against RMB	**(3)**	**(15,655)**	**–**
2009			
If Hong Kong dollar weakens against RMB	3	8,423	–
If Hong Kong dollar strengthens against RMB	(3)	(8,423)	–

* 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 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 to the financial statements.

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

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

LIQUIDITY RISK

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

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bills payable, bank advances for discounted bills 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		2010	
	On demand or less than 12 months HK$'000	**1 to 5 years HK$'000**	**Total HK$'000**
Accounts and bills payable	**754,032**	**–**	**754,032**
Financial liabilities included in accrued liabilities and other payables	**34,660**	**–**	**34,660**
Derivative financial instruments	**10,696**	**–**	**10,696**
Loan from a non-controlling shareholder	**–**	**12,000**	**12,000**
Due to an associate	**1,600**	**–**	**1,600**
Bank advances for discounted bills	**24,239**	**–**	**24,239**
Interest-bearing bank and other borrowings*	**826,737**	**251,245**	**1,077,982**
	1,651,964	**263,245**	**1,915,209**

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

LIQUIDITY RISK (CONTINUED)

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 non-controlling shareholder	8,000	–	8,000
Interest-bearing bank and other borrowings*	721,670	99,669	821,339
	1,278,126	99,669	1,377,795

* Included in interest-bearing bank and other borrowings are bank loans of HK$17,675,000 (2009: HK$36,375,000) and finance lease payables of HK$10,016,000 (2009: HK$20,908,000) containing a repayment on demand clause giving the lender the unconditional right to call the loan at any time and therefore, for the purpose of the above maturity profile, these amounts are classified as "on demand".

Notwithstanding the above repayment on demand clause, the directors do not believe that the bank loans and finance lease payables will be called in its entirety within 12 months, and they consider that the bank loans and finance lease payables will be repaid in accordance with the maturity dates as set out in the respective agreements. This evaluation was made considering: the financial position of the Group at the date of approval of the financial statements; the Group's compliance with the loan covenants; the lack of events of default, and the fact that the Group has made all previously scheduled repayments on time. In accordance with the terms of the bank loans and finance lease payables, the maturity terms at 31 December 2010 are HK$798,943,000 in 2011, HK$114,785,000 in 2012, HK$164,254,000 in 2013.

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.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

CAPITAL MANAGEMENT (CONTINUED)

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 2010 and 31 December 2009.

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, loan from a non-controlling shareholder, an amount due to an associate, 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	
	2010	2009
	HK$'000	HK$'000
Interest-bearing bank and other borrowings	**1,076,908**	819,052
Accounts and bills payable	**754,032**	499,568
Accrued liabilities and other payables	**225,437**	83,992
Loan from a non-controlling shareholder	**12,000**	8,000
Due to an associate	**1,600**	–
Bank advances for discounted bills	**24,239**	–
Less: Cash and cash equivalents	**(252,355)**	(390,821)
Net debt	**1,841,861**	1,019,791
Equity attributable to ordinary equity holders of the Company and total capital	**1,641,094**	1,447,252
Capital and net debt	**3,482,955**	2,467,043
Gearing ratio	**52.9%**	41.3%

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 ended 31 December 2009. 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 (the "Claim") 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. Subsequent to the end of the reporting period, the liquidator and the Group's legal representatives reached an agreement to release the Claim in February 2011. Accordingly, a reversal of the provision for such claim was recorded in the financial statements for the year ended 31 December 2010.

42. EVENTS AFTER THE REPORTING PERIOD

On 31 January 2011, the Group entered into a disposal agreement (the "Disposal Agreement") with an independent third party (the "Purchaser") pursuant to which the Group disposed of 75% equity interest in and 75% shareholder's loan due by Kam Hing International to the Group (the "Disposal") at an initial consideration of US$30,000,000, with post completion adjustment (the "Adjustment") of up to a further US$70,000,000 if certain conditions are satisfied. The Disposal was completed on 1 February 2011, and the initial consideration of US$30,000,000 was received by the Group upon the completion of the Disposal. The conditions in relation to the Adjustment are not yet fulfilled at the date of approval of these financial statements.

On the same date of the Disposal Agreement, the Group also entered into a loan agreement (the "Loan Agreement") with the Purchaser, pursuant to which the Purchaser has agreed to provide a loan facility to the Group in the sum of US$10,000,000, without interest and repayable on the agreed terms. The loan with principal amount of US$10,000,000 (the "Loan") was drawn down by the Group on 3 March 2011. Pursuant to the Loan Agreement, the Loan is secured by corporate guarantee executed by the Company and secured by the Group's remaining 25% interest in Kam Hing International.

Further details were disclosed in the announcement and the circular of the Company on 31 January 2011 and 23 February 2011, respectively.

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 new requirements. Accordingly, certain prior year adjustments have been made, certain comparative amounts have been reclassified to conform with the current year's presentation, and a third statement of financial position as at 1 January 2009 has been presented.

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2011.

FIVE-YEAR FINANCIAL SUMMARY

31 December 2010

A summary of the published results and of the assets, liabilities and non-controlling 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				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**3,267,785**	2,523,245	2,586,617	2,230,764	2,013,889
Profit before tax	**122,161**	90,534	91,656	127,535	121,806
Income tax expense	**(17,778)**	(9,859)	(11,015)	(17,617)	(20,659)
Profit for the year	**104,383**	80,675	80,641	109,918	101,147
Attributable to:					
Ordinary equity holders of the Company	**96,484**	83,115	81,700	109,960	101,125
Non-controlling interests	**7,899**	(2,440)	(1,059)	(42)	22
	104,383	80,675	80,641	109,918	101,147

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**3,827,209**	2,940,425	2,600,829	2,053,599	1,996,233
TOTAL LIABILITIES	**(2,139,271)**	(1,452,828)	(1,409,405)	(1,093,332)	(1,197,498)
NON-CONTROLLING INTERESTS	**(46,844)**	(40,345)	(43,305)	(17,275)	(317)
	1,641,094	1,447,252	1,148,119	942,992	798,418