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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

FINANCIAL HIGHLIGHTS

- Revenue decreased by 2.5% to HK$2,523.2 million
- Gross profit decreased by 8.6% to HK$440.9 million
- Gross profit margin decreased to 17.5% from 18.6%
- Profit attributable to ordinary shareholders increased by 1.7% to HK$83.1 million
- Basic earnings per share was HK12.5 cents
- Proposed final dividend was HK2.5 cents per share

The board (the "Board") of directors (the "Directors") of Kam Hing International Holdings Limited (the "Company") is pleased to announce the annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2009 (the "Year"), together with the comparative figures for the year ended 31 December 2008, as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
REVENUE	3,4	**2,523,245**	2,586,617
Cost of sales		**(2,082,346)**	(2,104,285)
Gross profit		**440,899**	482,332
Other income and gains, net	4	**15,936**	10,485
Selling and distribution costs		**(102,010)**	(128,926)
Administrative expenses		**(245,618)**	(226,756)
Other operating income/(expenses), net		**142**	(13,435)
Finance costs		**(17,452)**	(30,815)
Share of profit less losses of a jointly-controlled entity		**(563)**	(729)
Share of profit less losses of associates		**(800)**	(500)
PROFIT BEFORE TAX	5	**90,534**	91,656
Income tax expense	6	**(9,859)**	(11,015)
PROFIT FOR THE YEAR		**80,675**	80,641
Attributable to:			
Ordinary equity holders of the Company		**83,115**	81,700
Minority interests		**(2,440)**	(1,059)
		80,675	80,641
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic		**HK12.5 cents**	HK12.7 cents
Diluted		**HK12.1 cents**	N/A

Details of the dividend are disclosed in note 7 to the announcement.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2009

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At as 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,444,534**	1,397,747
Prepaid land lease payments		**63,096**	63,458
Intangible assets		**2,580**	2,973
Interest in a jointly-controlled entity		**27,416**	10,941
Interests in associates		**300**	1,100
Deposits paid		**21,399**	21,436
Total non-current assets		**1,559,325**	1,497,655
CURRENT ASSETS			
Inventories		**520,992**	448,019
Accounts and bills receivable	*9*	**384,711**	459,337
Prepayments, deposits and other receivables		**31,090**	24,103
Equity investment at fair value through profit or loss		**573**	349
Derivative financial instruments		**2,314**	1,459
Due from minority shareholders		**–**	20,258
Due from a jointly-controlled entity		**6,885**	–
Due from an associate		**3,287**	3,287
Tax recoverable		**45**	–
Pledged deposits		**40,382**	8,823
Cash and cash equivalents		**390,821**	137,539
Total current assets		**1,381,100**	1,103,174
CURRENT LIABILITIES			
Accounts and bills payable	*10*	**499,568**	312,017
Accrued liabilities and other payables		**83,992**	97,108
Derivative financial instruments		**15,436**	20,032
Loan from a minority shareholder		**8,000**	–
Tax payable		**26,272**	20,532
Bank advances for discounted bills	*9*	**–**	71,088
Interest-bearing bank and other borrowings		**662,159**	524,450
Total current liabilities		**1,295,427**	1,045,227
NET CURRENT ASSETS		**85,673**	57,947
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,644,998**	1,555,602
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**156,893**	363,412
Deferred tax liabilities		**508**	766
Total non-current liabilities		**157,401**	364,178
Net assets		**1,487,597**	1,191,424
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital		**77,349**	64,458
Reserves		**1,369,903**	1,083,661
		1,447,252	1,148,119
Minority interests		**40,345**	43,305
Total equity		**1,487,597**	1,191,424

Notes:

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

Basis of consolidation

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

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

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 *Revenue – Determining whether an entity is acting as a principal or as an agent*
HKAS 23 (Revised)	*Borrowing Costs*
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives*
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*
HK(IFRIC)-Int 18	*Transfers of Assets from Customers* (adopted from 1 July 2009)
Improvements to HKFRSs (October 2008)**	Amendments to a number of HKFRSs

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

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

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

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

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

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

(b) HKFRS 8 *Operating Segments*

HKFRS 8, which replaces HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the operating segments determined in accordance with HKFRS 8 are the same as the business segments previously identified under HKAS 14.

(c) HKAS 1 (Revised) *Presentation of Financial Statements*

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

3. 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.

Year ended 31 December 2009

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

Year ended 31 December 2009 *(continued)*

	Fabric	Garment	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'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.

Year ended 31 December 2008

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

Year ended 31 December 2008 *(continued)*

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

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

Geographical information

(a) Revenue from external customers

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

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

(b) Non-current assets

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

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

Information about a major customer

Revenue of approximately HK$359,953,000 (2008: HK$318,501,000) was derived from sales by the fabric products segment and subcontracting services by 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.

4. 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.

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

		2009	2008
	Note	***HK$'000***	*HK$'000*
Revenue			
Production and sale of knitted fabric, dyed yarn and provision of related subcontracting services		**2,287,671**	2,295,338
Production and sale of garment products and provision of related subcontracting services		**235,574**	291,279
		2,523,245	2,586,617
Other income			
Fee income from freight handling services		**3,183**	3,119
Bank interest income		**631**	585
Gross rental income		**535**	605
Others		**16,330**	16,916
		20,679	21,225
Gains, net			
Fair value gains/(losses), net:			
Equity investment at fair value through profit or loss – held for trading	5	**224**	(354)
Derivative financial instruments – transactions not qualified as hedges and matured during the year	5	**8,155**	8,187
Derivative financial instruments – transactions not qualified as hedges and not yet matured	5	**(13,122)**	(18,573)
		(4,743)	(10,740)
Other income and gains, net		**15,936**	10,485

5. PROFIT BEFORE TAX

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

	2009	2008
	HK$'000	*HK$'000*
Cost of inventories sold and services provided	**2,082,346**	2,104,285
Research and development costs	**5,392**	4,987
Depreciation of items of property, plant and equipment	**148,524**	126,156
Amortisation of prepaid land lease payments	**1,477**	1,440
Amortisation of intangible assets	**393**	384
Employee benefits expense (excluding directors' remuneration):		
Wages and salaries	**231,156**	199,358
Equity-settled share option expense	**6,461**	14,508
Pension scheme contributions	**11,142**	9,731
	248,759	223,597
Minimum lease payments under operating leases in respect of land and buildings	**5,614**	4,678
Gain on disposal of items of property, plant and equipment	**(77)**	(45)
Impairment of accounts receivable	**134**	8,744
Write-back of impairment allowance for accounts receivable	**(3,362)**	(317)
Write-off of accounts receivable	**–**	139
Impairment of other receivable	**574**	–
Provision for a legal claim	**2,120**	–
Fair value losses/(gains), net		
Equity investment at fair value through profit or loss – held for trading	**(224)**	354
Derivative financial instruments – transactions not qualified as hedges and matured during the year	**(8,155)**	(8,187)
Derivative financial instruments – transactions not qualified for hedges and not yet matured	**13,122**	18,573
Foreign exchange differences, net	**(385)**	3,379

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

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

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

6. INCOME TAX

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

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

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

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

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

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

7. DIVIDEND

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

The proposed final dividend for the year ended 31 December 2009 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

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

During the year, the calculation of diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company of HK$83,115,000. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

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

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

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

9. ACCOUNTS AND BILLS RECEIVABLE

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

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:

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

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

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

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

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

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

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

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

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

10. ACCOUNTS AND BILLS PAYABLE

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

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

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

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

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

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

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

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

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

FINANCIAL REVIEW

Revenue

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

Gross Profit and Gross Profit Margin

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

Net Profit and Net Profit Margin

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

Other Income and Expenses

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

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

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

Liquidity and Financial Resources

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

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

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

Financing

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

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

Dividend

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

Capital Structure

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

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

Foreign Exchange Risk and Interest Rate Risk

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

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

Charge on Group's Assets

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

Capital Expenditure

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

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

Staff Policy

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

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

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

Contingent Liabilities

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

Annual General Meeting

The AGM will be held at Units 1-9, 8/F., Lucida Industrial Building, 43-47 Wang Lung Street, Tsuen Wan, New Territories, Hong Kong on Tuesday, 8 June 2010 at 11:00 a.m.. Notice of AGM which will be published in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 2 June 2010 to Tuesday, 8 June (both days inclusive), during which period no transfer of shares in the Company will be effected. In order to qualify for the proposed final dividend and attending the AGM, all transfers, accompanied by the relevant share certificates, have to be lodged with the Company's branch registrars in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:00 p.m. on Tuesday, 1 June 2010.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE

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 as set out in Appendix 14 of the Listing Rules throughout the year.

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 ended 31 December 2009.

GENERAL INFORMATION

At the date of this announcement, the executive directors of the Company are Mr. Tai Chin Chun, Mr. Tai Chin Wen, Ms. Cheung So Wan, Ms. Wong Siu Yuk, Mr. Chong Chau Lam and Mr. Wong Wai Kong, Elmen; the non-executive director of the Company is Mr. Lee Cheuk Yin, Dannis; and the independent non-executive directors of the Company are Mr. Chan Yuk Tong, Jimmy, Ms. Chu Hak Ha, Mimi and Mr. Chan Chung Yuen, Lawrence.

By Order of the Board
Tai Chin Chun
Chairman

Hong Kong, 26 April, 2010