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KITH HOLDINGS LIMITED
僑威集團有限公司*

(Incorporated in Bermuda with limited liability)
(Stock code: 1201)

ANNUAL RESULTS ANNOUNCEMENT FOR 2009

The Board of Directors (the "Board") of Kith Holdings Limited (the "Company" and together with its subsidiaries, the "Group") is pleased to announce the audited operating results of the Group for the year ended 31st December, 2009, together with the comparative figures for the corresponding period in 2008, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December,

	NOTES	**2009** *HK$'000*	2008 *HK$'000*
Revenue	4	**1,365,006**	1,551,041
Cost of sales		**(1,168,122)**	(1,351,327)
Gross profit		**196,884**	199,714
Other income		**17,107**	28,963
Distribution and selling expenses		**(3,127)**	(3,604)
Administrative expenses		**(82,949)**	(76,309)
Impairment loss on trade and other receivables from third parties, deposits and prepayments		**(4,704)**	(22,969)
Impairment loss on available-for-sale investments		**–**	(2,153)
Fair value gain (loss) on held-for-trading investments		**3,088**	(6,493)
Fair value gain (loss) on other financial assets		**524**	(5,134)
Finance costs		**(21,022)**	(26,958)
Profit before tax		**105,801**	85,057
Income tax expense	5	**(20,970)**	(23,673)
Profit for the year	6	**84,831**	61,384
Attributable to:			
Owners of the Company		**50,783**	37,951
Minority interests		**34,048**	23,433
		84,831	61,384
Earnings per share:	8		
Basic		**HK19.42 cents**	HK14.52 cents
Diluted		**HK19.42 cents**	HK14.50 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December,

	2009	2008
	HK$'000	*HK$'000*
Profit for the year	**84,831**	61,384
Other comprehensive income for the year:		
Reclassification adjustment upon impairment of available-for-sale investments	**–**	2,153
Exchange differences arising on translation of foreign operations	**(340)**	40,340
Fair value adjustment on available-for-sale investments	**785**	(4,445)
	445	38,048
Total comprehensive income for the year	**85,276**	99,432
Attributable to:		
Owners of the Company	**51,363**	60,007
Minority interests	**33,913**	39,425
	85,276	99,432

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31st December,

	NOTES	2009 HK$'000	2008 HK$'000
Non-current Assets			
Property, plant and equipment		**582,080**	585,792
Prepaid lease payments		**19,270**	19,883
Deposits paid for acquisition of property, plant and equipment		**27,260**	–
Goodwill		**2,695**	2,695
Available-for-sale investments		**19,222**	12,715
Deferred tax assets		**595**	830
Total non-current assets		**651,122**	621,915
Current Assets			
Inventories		**130,341**	98,678
Trade and other receivables from third parties, deposits and prepayments	9	**467,580**	512,683
Trade and other receivables from minority shareholders		**24,609**	25,607
Prepaid lease payments		**613**	613
Short-term loans receivable		**87,368**	157,640
Held-for-trading investments		**3,845**	19,071
Other financial assets		**260**	9,998
Bank balances and cash		**113,726**	91,801
		828,342	916,091
Assets of a disposal group classified as held for sale		**8,759**	–
Total current assets		**837,101**	916,091
Current Liabilities			
Trade and other payables	10	**223,409**	98,178
Tax liabilities		**8,751**	8,712
Dividend payable		**1,309**	1,309
Borrowings – due within one year		**388,925**	563,981
Obligation under finance lease – due within one year		**775**	–
		623,169	672,180
Liabilities directly associated with a disposal group classified as held for sale		**2,258**	–
Total current liabilities		**625,427**	672,180

	NOTES	**2009**	2008
		HK$'000	*HK$'000*
Net Current Assets		**211,674**	243,911
Total Assets Less Current Liabilities		**862,796**	865,826
Non-current Liabilities			
Borrowings – due after one year		**34,654**	84,748
Obligation under finance lease – due after one year		**1,744**	–
Deferred tax liabilities		**36,765**	35,299
Total non-current liabilities		**73,163**	120,047
Net Assets		**789,633**	745,779
Capital and Reserves			
Share capital		**26,145**	26,145
Share premium and reserves		**476,892**	444,467
Equity attributable to owners of the Company		**503,037**	470,612
Minority interests		**286,596**	275,167
Total Equity		**789,633**	745,779

Notes:

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The directors consider Accufit Investments Inc., a company incorporated in the British Virgin Islands ("BVI"), to be the parent and ultimate holding company of the Company. The address of the registered office and principal place of business of the Company are Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and 1st Floor, Hing Lung Commercial Building, 68 Bonham Strand East, Hong Kong, respectively.

The consolidated financial statements are presented in Hong Kong dollar ("HKD"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are effective for annual periods beginning on or after 1st January, 2009.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for amendment to HKFRS 5
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 and HKAS 39 (Amendments)	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	Transfer of Assets from Customers

The adoption of the new and revised HKFRSs, except for HKAS 1 (Revised), HKFRS 8 and HKFRS 7 (Amendments) as described below, had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

HKAS 1 (Revised): Presentation of Financial Statements

HKAS 1 (Revised) has introduced changes in the presentation and disclosures of financial statements (including changes in the titles of the financial statements). The revised standard separates owner and non-owner changes in equity. The statement of changes in equity will only include details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this revised standard has introduced the statement of comprehensive income: it presents 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 comprehensive income in two statements. Comparative information has been re-presented to conform to the new presentation. The revised standard has no impact on the financial position or results of operations of the Group.

HKFRS 8: Operating Segments

HKFRS 8, which replaces HKAS 14 "Segment Reporting", is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purposes of allocating resources between segments and assessing their performance. In contrast, the predecessor standard (HKAS 14 "Segment Reporting") required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach. The adoption of HKFRS has not resulted in a redesignation of the Group's reportable segments.

HKFRS 7 (Amendments): Improving Disclosures about Financial Instruments

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements and liquidity risk. Fair value measurements related to items recorded at fair values are to be disclosed by source of inputs using a three-level hierarchy for each class of financial instrument. The amendments also clarify the requirement for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The Group has not presented comparative information for the expanded disclosures about the fair value measurements of financial instruments in accordance with the transitional provision set out in the amendments to HKFRS 7.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Amendments of HKFRS 5 as a part of Improvements to HKFRSs issued in 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[7]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[5]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[4]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[4]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 9	Financial Instruments (relating to the classification and measurement of financial assets)[8]

HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[7]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[6]

[1] Effective for annual periods beginning on or after 1st July, 2009

[2] Effective for annual periods beginning on or after 1st July, 2009 and 1st January, 2010, as appropriate

[3] Effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009

[4] Effective for annual periods beginning on or after 1st January, 2010

[5] Effective for annual periods beginning on or after 1st February, 2010

[6] Effective for annual periods beginning on or after 1st July, 2010

[7] Effective for annual periods beginning on or after 1st January, 2011

[8] Effective for annual periods beginning on or after 1st January, 2013

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009.

HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1st January, 2013, with earlier application permitted. HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

In addition, as part of Improvements to HKFRSs issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. The amendments will be effective from 1st January, 2010, with earlier application permitted. Before the amendments to HKAS 17, lessees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and financial position of the Group.

3. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the executive directors that are used to make strategic decisions. The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other operating segments. The Group is currently organised into two major operating segments - printing and manufacturing of packaging products, and distribution of electronic and related products. Other operations of the Group include provision of financial services.

Segment revenue represents the revenue generated by each operating segment. Inter-segment revenue represents inter-segment sales which were transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Segment results represents the profit earned by each operating segment without allocation of central administration expenses (unallocated corporate expenses), investment and other income, finance costs, and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

For the purposes of monitoring segment performance and allocating resources between segments:

– all assets are allocated to reportable segments other than available-for-sale investments, held-for-trading investments, other financial assets, current and deferred tax assets and unallocated corporate assets. Goodwill is allocated to the relevant reportable segment; and

– all liabilities are allocated to reportable segments other than borrowings, obligation under finance lease, current and deferred tax liabilities, and unallocated corporate liabilities.

Information regarding the Group's reportable segments is presented below. Amounts reported for the prior year have been restated to conform to the requirements of HKFRS 8.

For the year ended 31st December, 2009

	Printing and manufacturing of packaging products *HK$'000*	Distribution of products *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment revenues and results				
SEGMENT REVENUE				
Reportable segment revenue	523,172	842,946	1,884	1,368,002
Elimination of inter-segment revenue	–	(2,996)	–	(2,996)
Consolidated revenue	523,172	839,950	1,884	1,365,006
SEGMENT RESULTS				
Reportable segment profit	102,860	28,912	1,621	133,393
Interest income				8,629
Fair value gain on held-for-trading investments				3,088
Fair value gain on other financial assets				524
Unallocated corporate expenses				(18,811)
Finance costs				(21,022)
Consolidated profit before tax				105,801
Segment assets and liabilities				
SEGMENT ASSETS				
Reportable segment assets	1,059,769	386,154	12,818	1,458,741
Available-for-sale investments				19,222
Deferred tax assets				595
Held-for-trading investments				3,845
Other financial assets				260
Unallocated corporate assets				5,560
Consolidated total assets				1,488,223
SEGMENT LIABILITIES				
Reportable segment liabilities	75,422	149,515	48	224,985
Deferred tax liabilities				36,765
Tax liabilities				8,751
Borrowings				423,579
Obligation under finance lease				2,519
Unallocated corporate liabilities				1,991
Consolidated total liabilities				698,590
OTHER SEGMENT INFORMATION				
Capital expenditure	43,919	904	3,362	48,185
Depreciation of property, plant and equipment	39,364	1,081	927	41,372
Amortisation of prepaid lease payments	613	–	–	613
Impairment of trade and other receivables from third parties, deposits and prepayments	4,243	461	–	4,704
Loss on disposal of property, plant and equipment	467	–	1	468

For the year ended 31st December, 2008

	Printing and manufacturing of packaging products *HK$'000*	Distribution of products *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment revenue and results				
SEGMENT REVENUE				
Reportable segment revenue	481,306	1,066,476	3,548	1,551,330
Elimination of inter-segment revenue	–	(289)	–	(289)
Consolidated revenue	481,306	1,066,187	3,548	1,551,041
SEGMENT RESULTS				
Reportable segment profit	94,117	37,645	836	132,598
Interest income				22,198
Fair value loss on held-for-trading investments				(6,493)
Impairment loss on available-for-sale investments				(2,153)
Fair value loss on other financial assets				(5,134)
Unallocated corporate expenses				(29,001)
Finance costs				(26,958)
Consolidated profit before tax				85,057
Segment assets and liabilities				
SEGMENT ASSETS				
Reportable segment assets	1,004,475	424,511	49,720	1,478,706
Available-for-sale investments				12,715
Deferred tax assets				830
Held-for-trading investments				19,071
Other financial assets				9,998
Unallocated corporate assets				16,686
Consolidated total assets				1,538,006
SEGMENT LIABILITIES				
Reportable segment liabilities	93,251	4,180	121	97,552
Deferred tax liabilities				35,299
Tax liabilities				8,712
Borrowings				648,729
Unallocated corporate liabilities				1,935
Consolidated total liabilities				792,227
OTHER SEGMENT INFORMATION				
Capital expenditure	18,792	1,872	2,031	22,695
Depreciation of property, plant and equipment	37,423	820	537	38,780
Amortisation of prepaid lease payments	613	–	–	613
Impairment of trade and other receivables from third parties, deposits and prepayments	8,178	14,791	–	22,969
Loss on disposal of property, plant and equipment	1,485	–	–	1,485

REVENUE FROM MAJOR PRODUCTS AND SERVICES

The Group's revenue from major products and services is as follows:

	2009	2008
	HK$'000	*HK$'000*
Sales of packaging products	**523,172**	481,306
Sales of electronic products	**835,798**	1,038,335
Sales of other miscellaneous products	**4,152**	27,852
Provision of financial services	**1,884**	3,548
	1,365,006	1,551,041

INFORMATION ABOUT MAJOR CUSTOMERS

The Group's sales to customers which accounted for 10% or more of its total revenue are as follows:

	2009	2008
	HK$'000	*HK$'000*
Customer A	**455,518**	658,575
Customer B	**181,722**	N/A
	637,240	658,575

The sales to customer A is included in the segment of distribution of products and the sales to customer B is included in the segment of printing and manufacturing of packaging products.

GEOGRAPHICAL INFORMATION

The Group's operations are located in Hong Kong and the People's Republic of China (the "PRC"). Printing and manufacturing of packaging products are carried out in the PRC and distribution of products is mainly carried out in Hong Kong and the United States of America (the "USA"). The geographical location of customers is based on the location of the customers, irrespective of the origin of the goods or services. The geographical location of the non-current assets is based on the physical location of the asset, in the case of property, plant and equipment and prepaid lease payments, and the location of the operation to which they are allocated, in the case of goodwill and deposits paid for acquisition of property, plant and equipment. The Group's revenue from external customers and information about its non-current assets by geographical location of the assets are set out below:

	Revenue from external customers		**Non-current assets** *(Note)*	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	**168,716**	141,318	**9,489**	7,049
Other parts of the PRC	**738,356**	701,242	**621,816**	601,321
USA	**457,457**	652,926	**–**	–
Others	**477**	55,555	**–**	–
	1,365,006	1,551,041	**631,305**	608,370

Note: Non-current assets exclude available-for-sale investments and deferred tax assets.

4. REVENUE

Revenue represents the net amounts received and receivable during the year. An analysis of the Group's revenue for the year is as follows:

	2009	2008
	HK$'000	*HK$'000*
Sales of goods	**1,363,122**	1,547,493
Interest income from the provision of financial services	**1,884**	3,548
	1,365,006	1,551,041

5. INCOME TAX EXPENSE

	2009	2008
	HK$'000	*HK$'000*
The charge comprises:		
Current tax:		
Hong Kong Profits Tax	**1,188**	4,429
PRC Enterprise Income Tax	**18,286**	13,849
	19,474	18,278
(Overprovision) underprovision in prior years:		
Hong Kong Profits Tax	**(86)**	608
PRC Enterprise Income Tax	**(204)**	–
	19,184	18,886
Deferred tax:		
Attributable to a change in tax rate	**–**	117
Current year	**1,786**	4,670
	1,786	4,787
	20,970	23,673

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate for certain PRC subsidiaries of the Company is 25% from 1st January, 2008 onwards.

Pursuant to the relevant laws and regulations in the PRC, one of the Company's PRC subsidiaries is exempted from PRC Enterprise Income Tax for two years starting from its first profit-making year followed by a 50% reduction for the next three years (the "Tax Holiday"). That subsidiary is entitled to enjoy the Tax Holiday until it is expired in 2012.

The Tax Holiday for Yunnan Qiaotong Package Printing Company Limited ("Yunnan Qiaotong"), a PRC subsidiary of the Company, expired in 2000. Starting from 2001, Yunnan Qiaotong is classified as one of the approved "Advanced Technology Enterprise with Foreign Investment 外商投資先進技術型企業" and is entitled to preferential PRC Enterprise Income Tax rate of 15% up to 31st December, 2005. However, pursuant to an approval received from local tax authorities, Yunnan Qiaotong is classified as one of the approved "Enterprise with Foreign Investment in the Central and Western Regions 中西部地區外商投資企業". Accordingly, Yunnan Qiaotong continues to be entitled to a preferential PRC Enterprise Income Tax rate of 15%.

6. PROFIT FOR THE YEAR

	2009	2008
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging:		
Salaries, bonus and other benefits	**77,790**	60,096
Retirement benefits scheme contributions	**5,068**	4,839
Share-based payment expenses	**63**	378
Total staff costs including directors' emoluments	**82,921**	65,313
Auditor's remuneration		
– underprovision in prior year	**70**	123
– current year	**1,380**	1,850
Depreciation of property, plant and equipment		
– owned assets	**41,093**	38,780
– assets held under finance leases	**279**	–
Amortisation of prepaid lease payments	**613**	613
Loss on disposal of property, plant and equipment	**468**	1,485
Research and development costs (included in administrative expenses)	**6,957**	5,337
Cost of inventories recognised as an expense	**1,168,122**	1,351,327
Net foreign exchange loss	**355**	–
and after crediting (included in other income):		
Dividend income from held-for-trading investments	**(40)**	(237)
Interest income from unlisted structured deposits held at bank	**–**	(2,757)
Interest income on overdue debts	**(30)**	(4,814)
Interest income on short-term loans receivable	**(8,424)**	(12,444)
Bank interest income	**(175)**	(2,183)
Net foreign exchange gain	**–**	(2,280)

7. DIVIDENDS

	2009	2008
	HK$'000	*HK$'000*
Dividends recognised as distribution to owners of the Company during the year:		
Interim dividend paid for 2009 – HK2.2 cents (2008: HK2.2 cents) per share	**5,752**	5,752
Final dividend paid for 2008 – HK5.1 cents (2008: HK12.8 cents for 2007) per share	**13,334**	33,466
	19,086	39,218

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31st December, 2009 of HK7.6 cents (2008: HK5.1 cents in respect of the year ended 31st December, 2008) per share amounting to approximately HK$19,870,000 (2008: HK$13,334,000) have been proposed by the Board and is subject to approval by the shareholders in the forthcoming annual general meeting.

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary share owners of the Company is based on the following data:

	2009	2008
	HK$'000	*HK$'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share		
Profit for the year attributable to owners of the Company	**50,783**	37,951

	2009	2008
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**261,453,600**	261,453,600
Effect of dilutive potential ordinary shares:		
Share options	**–**	346,871
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**261,453,600**	261,800,471

9. TRADE AND OTHER RECEIVABLES FROM THIRD PARTIES, DEPOSITS AND PREPAYMENTS

	2009	2008
	HK$'000	*HK$'000*
Trade receivables	**412,351**	458,443
Less: allowance for doubtful debts	**(11,485)**	(17,149)
	400,866	441,294
Other receivables, deposits and prepayments	**66,714**	71,389
	467,580	512,683

The Group generally allows an average credit period of 30 to 120 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts at the end of the reporting period:

	2009	2008
	HK$'000	*HK$'000*
Within 60 days	**224,845**	125,794
Within 61 – 90 days	**88,688**	118,740
More than 90 days	**87,333**	196,760
	400,866	441,294

No interest was charged on trade receivables for the year ended 31st December, 2009. For the year ended 31st December, 2008, no interest was charged on trade receivables which were within the credit period. Thereafter, interest was charged at prime rate plus 10% per annum on the outstanding trade balance.

10. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK$190,699,000 (2008: HK$51,891,000) and bills payable of nil (2008: HK$12,481,000), the aged analysis of which is as follows:

	2009	2008
	HK$'000	*HK$'000*
Within 60 days	**62,948**	40,209
Within 61 – 90 days	**39,459**	3,302
More than 90 days	**88,292**	20,861
	190,699	64,372

DIVIDENDS

The Company maintains a stable dividend policy. An interim dividend of HK2.2 cents per share has been paid for the six months ended 30th June, 2009. The Board recommends the payment of a final dividend of HK7.6 cents per share for the year 2009, and it maintains the same dividend payout ratio of approximately 50.0%.

BUSINESS REVIEW

Package Printing Division

The turnover from package printing business for the year ended 31st December, 2009 was HK$523,172,000, representing an increase of 8.7% from the same period of 2008. Gross profit margin improved substantially from 26.7% to approximately 29.5% in 2009. Although volatile business environment prevails, the Group achieved a very healthy gross profit margin of 29.5% as the Group strived to control its cost through leveraging its bargaining power with suppliers and developing more efficient production techniques. Gross profit from the package printing business, which remains the core business of the Group, accounted for approximately 78.5% of the Group's total gross profit for the year ended 31st December, 2009.

Tobacco package printing was still the core product line of the package printing division, which accounted for over 85.0% of the total turnover of the division. The consolidation of the tobacco industry is a long term objective of the PRC as the PRC government would like to see the tobacco enterprises achieve even greater economies of scale. In Yunnan province, in which the Group's major production plant is located, the tobacco enterprises had been merged into two major enterprises, one of which is our joint venture partner in Yunnan. This creates great opportunities for the Group as it has been operating in Yunnan for nearly two decades and has developed very close working relationships with the major tobacco enterprises. With the continuing expansion of scale of the tobacco enterprises, the Group is confident that the package printing division will attain appreciable growth in the next decade and orders will be secured through adoption of its business model by joint venturing with the local government and tobacco enterprises as strategic partners in the Group's major joint ventures. At the same time, by entering into package printing business for other premium quality consumer products, the division will continue to grow and lessen the risk of focusing on printed packaging for single major product.

PRC's domestic consumption market is one of the few markets in the world that considerable growth can be foreseen in the next decade, given the strong growth of the PRC economy. The large stimulus measures implemented by the PRC central government to boost domestic consumption have demonstrated that the demand for high quality packaging products in the PRC will continue to grow. With the Group's leading research and development ("R&D") capability, cutting-edge technology and equipment including the most advanced imported printing machinery and equipment which could fit for the production of any colour, any shape and any size of consumer product paper packaging, and the latest anti-counterfeit and printing technologies, the Group has been expanding its product coverage with the aim to capture additional market shares in printed packaging for other consumer products including pharmaceutical, wine and health foods. With the forecasted growth potential, the Group will continue to invest its resources in increasing its production capacity and developing even more efficient technology to fully capture the benefits of this lucrative market. The Group has ordered the construction of a new production building of 10,000 square meters and installation of a new advanced offset printing machine in its Kunming production centre and they are expected to be completed by the middle of 2010. The investment for this expansion together with other capital expenditures is approximately HK$45,000,000.

Distribution Business

Turnover from the distribution business during the year amounted to HK$839,950,000 representing a decrease of 21.2% from the corresponding period in 2008. The gross profit margin also decreased from 6.4% in 2008 to 4.8% in 2009. The change was due mainly to the drop in demand, in the second half of 2009, of the converter boxes, which were the Group's major products in the distribution division in 2008 and the first half year of 2009, in the USA. Following the full conversion of digital broadcasting in the USA in June 2009, the demand for converter boxes in the USA began to drop. The Group has foreseen this situation and has diversified into other electronic products such as liquid crystal display television sets and panels, hard disk drives and "netbook" computers. Nevertheless, because of the relatively high volume and profit margin of the converter box business, the overall turnover and gross profit margin of the distribution division recorded a drop in this transitional period. The Group is optimistic that the volume of the substituted products will eventually increase to replace the fading business of the converter box business.

The Group will continue to operate under its supply chain management model. Under this model, the Group will develop its own R&D team, line up with original equipment manufacturers (OEM), with objectives to taking up the management and control over the whole supply chain and to serve its end customers directly. The first major product under this model, the converter box, has been proved successful. The Group has so far shipped a total of approximately 4,000,000 units of converter boxes and this product has contributed approximately HK$52,000,000 in gross profit to the Group. The Group will continue to research new products for distribution in view of the uncertainty of consumer electronics market but the Board remains optimistic about the future of this business.

Listing of Taiwan Depositary Receipts

The Group has achieved another milestone in early 2010 as the Company has obtained the approval of the Taiwan regulatory authorities to issue Taiwan Depositary Receipts ("TDRs") for trading in the Taiwan Stock Exchange. The TDRs were listed on 4th February, 2010 and 60,000,000 units of TDRs were issued, with each unit of TDR representing one ordinary share of the Company. This listing further confirms the sound business model of the Group and the competence of its management. The issue of TDRs will provide the Group more business and investment opportunities in Taiwan and offers alternative channels of funding for the Group in the future, which will ultimately be beneficial to the long-term growth of the Group.

Human Resources Development

As at 31st December, 2009, the number of employees of the Group was approximately 1,000 employees, most of whom were working for the Group's production plants in the PRC.

The Group has offered continuous training to employees to update their knowledge on the latest technology on package printing and to maintain the Group's competitive edges in the most advanced package printing technology and design techniques. The Group adopts a systematic approach on staff performance appraisal to ensure that every employee is rewarded on a fair and assessable basis.

Future Prospects

The Board is pleased to announce that the directors of the Group's Yunnan joint venture have agreed to extend the business operation period of the joint venture for a further 25 years to a total of 50 years. This means that the business operation period of the Group's Yunnan joint venture will be extended to the year 2043. This extension of the business operation period is subject to the formal approval of the relevant authorities at this stage.

The management is confident that the demand for high quality consumer products, mainly tobacco and wine, which are the major market segments of the Group, will continue to maintain steady growth with the stable economic growth and improving living standards in the PRC. With years of experiences in operating in the PRC and excellent working relationships with the major tobacco enterprises in various parts of the PRC, the Group is poised to grow and gain market share in this market, which still has great growth potential. At the same time, with its leading edge anti-counterfeit techniques and experience in tobacco package printing product design, the Group is confident in achieving a leading position in the package printing for both tobacco and other fast growing premium consumer products. To sustain healthy growth of the Group in the long run, the management will follow the policy of expansion through setting up new joint ventures with potential business partners with strong sales network in different market segments or with local government in different geographical areas of the PRC.

In the past two years, the distribution of electronic product division had made substantial contribution to the Group's turnover and profit, and this is expected to continue in 2010. To cope with the additional funding requirements for future growth of the division, the management will consider various means of raising funds when it is necessary and the market conditions are acceptable. The Group will continue to adopt a prudent approach towards expansion, closely monitor its working capital and implement cost saving measures.

FINANCIAL OVERVIEW

The Group's total turnover of approximately HK$1,365,006,000 was 12.0% lower than that of 2008, which was a result of the drop in turnover in the distribution business. The package printing business continued to maintain a steady growth in turnover, from approximately HK$481,306,000 in 2008 to HK$523,172,000 in 2009. Gross profit margin of the package printing business was a very healthy 29.5% because of the Group's effective cost control in a year of fluctuating materials cost.

The gross profit for the year decreased by approximately HK$2,830,000 or 1.4% as compared to that of 2008. The slight decrease in gross profit was a result of the decrease in turnover of the distribution business. However, overall gross profit margin of the Group increased from 12.9% in 2008 to 14.4% in 2009 as a result of the increase of the gross profit margin of the package printing business.

There was no significant change to distribution and selling expenses. Administrative expenses increased from approximately HK$76,309,000 in 2008 to approximately HK$82,949,000 in 2009. The increase was mainly due to the higher administrative costs incurred in the Group's PRC joint ventures, especially, the continuing expansion of its Kunming production centre.

The profit attributable to owners of the Company for the year increased from HK$37,951,000 in 2008 to HK$50,783,000 in 2009, representing an increase of 33.8% as compared to that of 2008. This was mainly attributable to significant decrease of the impairment loss of trade and other receivables of approximately HK$22,969,000 in 2008 to HK$4,704,000 in 2009, and the fair value gain on held-for-trading investments and other financial assets of approximately HK$3,088,000 and HK$524,000, respectively. Basic earnings per share for the year ended 31st December, 2009 increased to HK19.42 cents as compared to HK14.52 cents for 2008. The Group maintains a steady dividend policy of distributing approximately 50.0% of its profit attributable to owners of the Company as dividends to shareholders.

WORKING CAPITAL

As at 31st December, 2009, the Group had net current assets of approximately HK$211,674,000. The current assets as at 31st December, 2009 comprised of inventories of approximately HK$130,341,000, trade and other receivables and short-term loans receivable of approximately HK$579,557,000, bank balances and cash of approximately HK$113,726,000, held-for-trading investments of approximately HK$3,845,000 and other financial assets of approximately HK$260,000. The current liabilities comprised of trade and other payables of approximately HK$223,409,000, dividend and tax payables of an aggregate amount of approximately HK$10,060,000, and short-term borrowings of approximately HK$389,700,000. The turnover days for inventories and trade debtors were 35.8 days and 119.0 days respectively.

The decrease in trade receivables at 31st December, 2009 was mainly due to the decrease of the turnover of the distribution business as compared to 2008. The significant decrease of the short-term loans receivable was the result of the collection of the loans receivable in accordance with the terms of relevant loan agreements. The significant increase in trade payable was a result of using its suppliers' credit to finance the Group's distribution business to lessen the reliance on bank financing.

The net asset value of the Group as at 31st December, 2009 amounted to approximately HK$789,633,000 versus approximately HK$745,779,000 as at 31st December, 2008.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2009, the Group's aggregate bank borrowings amounted to approximately HK$419,579,000. The total bank borrowings as at 31st December, 2009 were much lower than those of 31st December, 2008. The net gearing ratio, representing the interest bearing liabilities less cash divided by shareholders' equity plus minority interests, decreased from 74.7% in 2008 to 39.6% in 2009. The significant decrease in bank borrowings and the net gearing ratio was a result of the increase in the use of its suppliers' credit to support the Group's distribution business of consumer electronic products and the Group's effort to reduce its borrowings.

The interest rates for all the loans are fixed on monthly, quarterly or semi-annual basis. The finance costs for the year of HK$21,022,000 were lower than those of 2008 because of the reduced borrowings of the Group during the year. The Group continues to monitor its working capital requirement closely with a view to reduce its total bank borrowings to lower the finance costs and maintain a healthy net gearing ratio of the Group.

All of the sales and purchases for the package printing division are denominated in RMB and most of the sales and purchases for the distribution division are denominated in United States dollar or HKD. The exchange exposure is adequately managed through this natural hedge.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There were no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the year.

ANNUAL GENERAL MEETING ("AGM")

The AGM of the Company will be held on Tuesday, 1st June, 2010 at 3 p.m.. For details of the AGM, please refer to the notice of AGM which will be published in due course.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Thursday, 27th May, 2010 to Tuesday, 1st June, 2010 (both days inclusive) during which period no transfer of shares will be registered.

To be qualified for the above mentioned final dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrars in Hong Kong, Tricor Abacus Limited of 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on Wednesday, 26th May, 2010.

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

During the financial year ended 31st December, 2009, the Company has complied with all code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange except for code provision A.2.1 of the Code as the Company does not at present have any officer with the title "chief executive officer" and Mr. Hui King Chun, Andrew has assumed the role of both Chairman and Managing Director since the establishment of the Company, and is in charge of the overall management of the Company. The Board intends to maintain this structure for the time being as it believes that this structure can ensure efficient and effective formulation and implementation of business strategies without compromising the balance of power and authority between the directors and management of the Company.

Further information is set out in the Corporate Governance Report contained in the annual report for 2009.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS ("MODEL CODE") OF LISTING RULES

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the year, and they all confirmed that they have fully complied with the required standard set out in the Model Code throughout the year ended 31st December, 2009.

AUDIT COMMITTEE

The Company has set up an audit committee, comprising of three independent non-executive directors of the Company, namely Mr. Tam Yuk Sang, Sammy (chairman of the committee), Mr. Ng Chi Yeung, Simon and Mr. Ho Lok Cheong. The audit committee has reviewed the audited financial statements for the year ended 31st December, 2009, the accounting principles and practices adopted by the Group with management and has discussed internal controls and financial reporting matters, with the directors.

PUBLICATION OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

The Company's 2009 annual report, as well as the announcement of annual results, containing the relevant information required by the Listing Rule will be published on the website of the Stock Exchange (http://www.hkexnews.hk) and the Company's website (http://www.kithholdings.com) in due course.

BOARD OF DIRECTORS

As at the date of this announcement, the Board of Directors of the Company comprises of seven executive directors, namely Mr. Hui King Chun, Andrew, Mr. Yau Chau Min, Paul, Mr. Hui Bin Long, Mr. Li Chun Ren, Mr. Zhou Jin, Mr. Wang Feng Wu and Mr. Wang Guang Yu and three independent non-executive directors, namely Mr. Ng Chi Yeung, Simon, Mr. Tam Yuk Sang, Sammy and Mr. Ho Lok Cheong.

By Order of the Board
Kith Holdings Limited
Hui King Chun, Andrew
Chairman

Hong Kong, 26th April, 2010

* *For identification purpose only*