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 : 2307)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

KEY HIGHLIGHTS

Revenue	HK$2,230.8 million
Gross Profit	HK$438.8 million
Net Profit Attributable to Shareholders	HK$110.0 million
Proposed final dividend per share	HK4.3 cents

HIGHLIGHTS

- Revenue and Net Profit attributable to shareholders increased by approximately 10.8% and 8.8% to approximately HK$2,230.8 million and HK$110.0 million, respectively.
- The gross profit margin was maintained at the same level of around 19.7% as in 2006 and the net profit margin was approximately 4.9% in 2007, which was close to 5.0% in 2006.
- The expansion in production facilities has raised the total production capacity of garment from 0.8 million pieces at the beginning of 2007 to 1.5 million pieces per month at the end of 2007.
- The new fabric factory is expected to commence production in the third quarter of 2008 and bring a 30% increase to the Group's overall fabric production capacity.

The board (the "Board") of directors ("Directors") of Kam Hing International Holdings Limited (the "Company") is pleased to announce the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2007 (the "Year"), together with the comparative figures for the year ended 31 December 2006, as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2007

	Notes	**2007** *HK$'000*	2006 *HK$'000*
REVENUE	*4*	**2,230,764**	2,013,889
Cost of sales		**(1,791,926)**	(1,618,023)
Gross profit		**438,838**	395,866
Other income and gains	*4*	**22,308**	9,281
Selling and distribution costs		**(98,635)**	(89,842)
Administrative expenses		**(178,075)**	(143,508)
Other operating expenses, net		**(11,800)**	(9,170)
Finance costs	*5*	**(45,101)**	(40,821)
PROFIT BEFORE TAX	*6*	**127,535**	121,806
Tax	*7*	**(17,617)**	(20,659)
PROFIT FOR THE YEAR		**109,918**	101,147
Attributable to:			
Equity holders of the Company		**109,960**	101,125
Minority interests		**(42)**	22
		109,918	101,147
DIVIDEND – Proposed final	*8*	**27,698**	25,600
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*9*		
Basic		**HK17.2 cents**	HK15.8 cents
Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,043,504**	883,249
Investment properties		**–**	7,055
Prepaid land lease payments		**58,380**	48,990
Intangible assets		**2,105**	–
Deferred tax assets		**–**	41
Total non-current assets		**1,103,989**	939,335
CURRENT ASSETS			
Inventories		**491,150**	483,347
Accounts and bills receivable	*10*	**296,300**	367,396
Prepayments, deposits and other receivables		**28,374**	9,405
Equity investment at fair value through profit or loss		**703**	1,382
Derivative financial instruments		**6,913**	–
Due from a minority shareholder		**101**	140
Pledged deposits		**12,887**	2,152
Cash and cash equivalents		**113,182**	193,076
Total current assets		**949,610**	1,056,898
CURRENT LIABILITIES			
Accounts and bills payable	*11*	**232,280**	384,657
Accrued liabilities and other payables		**60,131**	45,802
Derivative financial instruments		**4,842**	–
Tax payable		**13,280**	17,076
Bank advances for discounted bills		**39,025**	85,796
Interest-bearing bank and other borrowings		**328,116**	475,720
Total current liabilities		**677,674**	1,009,051
NET CURRENT ASSETS		**271,936**	47,847
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,375,925**	987,182
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**414,946**	188,447
Deferred tax liabilities		**712**	–
Total non-current liabilities		**415,658**	188,447
Net assets		**960,267**	798,735
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		**64,413**	64,000
Reserves		**850,881**	708,818
Proposed final dividend		**27,698**	25,600
		942,992	798,418
Minority interests		**17,275**	317
Total equity		**960,267**	798,735

Note:

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 2007. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

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

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

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

HKFRS 7	Financial Instruments: Disclosures
HKAS 1 Amendment	Capital Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

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

(a) HKFRS 7 *Financial Instruments: Disclosures*

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

(b) Amendment to HKAS 1 *Presentation of Financial Statements – Capital Disclosures*

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital.

(c) HK(IFRIC)-Int 8 *Scope of HKFRS 2*

This interpretation requires HKFRS 2 to be applied to any arrangement in which the Group cannot identify specifically some or all of the goods or services received, for which equity instruments are granted or liabilities (based on a value of the Group's equity instruments) are incurred by the Group for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. As the Company has only issued equity instruments to its employees in accordance with the Company's share option scheme, the interpretation has had no effect on these financial statements.

(d) HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives*

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has no embedded derivative requiring separation from the host contract, the interpretation has had no effect on these financial statements.

(e) HK(IFRIC)-Int 10 *Interim Financial Reporting and Impairment*

The Group has adopted this interpretation as of 1 January 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

3. SEGMENT INFORMATION

Segment information is presented by way of the Group's primary segment reporting basis, by geographical segment. No information has been disclosed in respect of the Group's business segments as over 90% of the Group's revenue and assets are related to the production and sale of knitted fabric, dyed yarn and provision of related subcontracting services.

Each of the Group's geographical segments, based on the location of customers (the destination of sales), represents a strategic business unit that offers products to customers located in different geographical areas which are subject to risks and returns that are different from those of the other geographical segments. The Group's customer-based geographical segments are as follows:

(a) Singapore;

(b) Taiwan;

(c) Hong Kong;

(d) The People's Republic of China (other than Hong Kong and Macau) (the "PRC"); and

(e) Others

In addition, segment assets and capital expenditure are further analysed by the geographical location of the assets (the origin of sales), where the Group's assets are located in different geographical areas from its customers, and where segment revenue from external customers or segment assets are 10% or more of the Group's total amount. The Group's asset-based geographical segments are Singapore, Hong Kong, the PRC (other than Hong Kong and Macau) and Others.

(i) **Geographical segments based on the location of customers**

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's geographical segments for the years ended 31 December 2007 and 2006.

Group – 2007

	Singapore *HK$'000*	Taiwan *HK$'000*	Hong Kong *HK$'000*	PRC *HK$'000*	Others *HK$'000*	Consolidated *HK$'000*
Segment revenue:						
Sales to external customers	1,078,999	186,531	315,970	210,364	438,900	2,230,764
Other income	2,701	66	3,128	154	202	6,251
Total	1,081,700	186,597	319,098	210,518	439,102	2,237,015
Segment results	188,211	33,221	58,809	37,557	77,232	395,030
Interest and other unallocated income and gains						16,057
Unallocated expenses						(238,451)
Finance costs						(45,101)
Profit before tax						127,535
Tax						(17,617)
Profit for the year						109,918
Assets and liabilities						
Segment assets	122,803	16,387	58,232	68,997	29,881	296,300
Unallocated assets						1,757,299
Total assets						2,053,599
Segment liabilities	31,484	10,325	81,004	136,151	12,341	271,305
Unallocated liabilities						822,027
Total liabilities						1,093,332
Other segment information:						
Depreciation of items of property, plant and equipment, unallocated						90,690
Amortisation of prepaid land lease payments, unallocated						1,211
Capital expenditure, unallocated						199,513
Loss on disposal of items of property, plant and equipment, unallocated						313
Impairment losses recognised in the income statement	701	11	499	–	407	1,618
Impairment losses reversed in the income statement	(112)	–	–	–	–	(112)

Group – 2006

	Singapore *HK$'000*	Taiwan *HK$'000*	Hong Kong *HK$'000*	PRC *HK$'000*	Others *HK$'000*	Consolidated *HK$'000*
Segment revenue:						
Sales to external customers	1,135,710	192,602	285,736	186,349	213,492	2,013,889
Other income	1,248	5	2,546	218	58	4,075
Total	1,136,958	192,607	288,282	186,567	213,550	2,017,964
Segment results	190,770	32,817	52,081	32,027	36,558	344,253
Interest and other unallocated income and gain						5,206
Unallocated expenses						(186,832)
Finance costs						(40,821)
Profit before tax						121,806
Tax						(20,659)
Profit for the year						101,147
Assets and liabilities						
Segment assets	175,138	17,850	60,392	90,036	23,980	367,396
Unallocated assets						1,628,837
Total assets						1,996,233
Segment liabilities	70,776	13,060	140,226	184,772	61,619	470,453
Unallocated liabilities						727,045
Total liabilities						1,197,498
Other segment information:						
Depreciation of items of property, plant and equipment, unallocated						69,960
Depreciation of investment properties, unallocated						377
Amortisation of prepaid land lease payments, unallocated						949
Capital expenditure, unallocated						180,207
Loss on disposal of items of property, plant and equipment, unallocated						480
Impairment losses recognised in the income statement	–	–	69	–	–	69
Impairment losses reversed in the income statement	(377)	–	(925)	(62)	(129)	(1,493)

(ii) Geographical segments based on the location of assets

The following tables present certain asset and expenditure information for the Group's geographical segments for the years ended 31 December 2007 and 2006.

Group – 2007

	Singapore *HK$'000*	**Hong Kong** *HK$'000*	**PRC** *HK$'000*	**Others** *HK$'000*	**Consolidated** *HK$'000*
Segment assets	**152**	**308,769**	**1,658,652**	**86,026**	**2,053,599**
Capital expenditure	**46**	**546**	**185,844**	**13,077**	**199,513**
Group – 2006					
Segment assets	476	437,880	1,534,135	23,742	1,996,233
Capital expenditure	–	1,568	165,965	12,674	180,207

4. REVENUE, OTHER INCOME AND GAINS

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. All significant intra-group transactions have been eliminated on consolidation.

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

	Note	**2007** **HK$'000**	2006 *HK$'000*
Revenue			
Production and sale of knitted fabric, dyed yarn and garment products and provision of related subcontracting services		**2,230,764**	2,013,889
Other income			
Fee income from freight handling services		**6,251**	4,075
Bank interest income		**1,397**	888
Gross rental income		**901**	1,372
Others		**12,347**	2,883
		20,896	9,218
Gains			
Fair value gains/(losses), net:			
Equity investment at fair value through profit or loss – held for trading	*6*	**(679)**	63
Derivative financial instruments – transactions not qualified as hedges	*6*	**2,091**	–
		1,412	63
		22,308	9,281

5. FINANCE COSTS

	Group 2007 HK$'000	2006 HK$'000
Interest on bank loans and overdrafts wholly repayable within five years	**38,523**	34,238
Interest on finance leases	**3,287**	4,983
Amortisation of bank charges on a syndicated loan	**3,291**	1,600
	45,101	40,821

6. PROFIT BEFORE TAX

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

	2007 HK$'000	2006 HK$'000
Cost of inventories sold and services provided	**1,791,926**	1,618,023
Auditors' remuneration	**1,690**	1,350
Research and development costs	**4,712**	4,107
Depreciation of items of property, plant and equipment	**90,690**	69,960
Depreciation of investment properties	**–**	377
Amortisation of prepaid land lease payments	**1,211**	949
Employee benefits expense (excluding directors' remuneration):		
Wages and salaries	**153,704**	98,502
Equity-settled share option expenses	**2,900**	–
Pension scheme contributions	**8,454**	6,601
	165,058	105,103
Minimum lease payments under operating leases in respect of land and buildings	**2,813**	1,931
Loss on disposal of items of property, plant and equipment	**313**	480
Impairment of accounts receivable	**1,618**	69
Write back of impairment for accounts receivable	**(112)**	(1,493)
Fair value (gains)/losses, net		
Equity investment at fair value through profit or loss – held for trading	**679**	(63)
Derivative financial instrument – transactions not qualified for hedges	**(2,091)**	–
Foreign exchange differences, net	**6,811**	8,385

The cost of inventories sold and services provided includes depreciation and staff costs of HK$187,644,000 for the year ended 31 December 2007 (2006: HK$124,352,000), which is also included in the respective total amounts disclosed separately above.

The research and development costs include depreciation and staff costs of HK$3,983,000 for the year ended 31 December 2007 (2006: HK$3,462,000), which is also included in the respective total amounts disclosed separately above.

At 31 December 2007, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2006: Nil).

7. TAX

	Group 2007 *HK$'000*	2006 *HK$'000*
Current tax – Hong Kong		
Charge for the year	**11,111**	10,243
Overprovision in prior years	**(1,649)**	(1,227)
Current tax – Elsewhere		
Charge for the year	**7,404**	9,547
Deferred tax charge	**751**	2,096
Total tax charge for the year	**17,617**	20,659

Hong Kong profits tax has been provided on the estimated assessable profits arising in Hong Kong at the rate of 17.5% (2006: 17.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Guangzhou Kam Hing Textile Dyeing Co. Ltd. ("Guangzhou KH Textile"), a wholly-owned PRC subsidiary of the Company, is entitled to a 50% reduction in the corporate income tax in the PRC. The applicable tax rate of Guangzhou KH Textile, after the 50% reduction, was 12% (2006: 12%).

The Group has tax losses arising in Hong Kong of HK$4,150,000 (2006: HK$2,565,000) 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.

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law (the "New Corporate Income Tax Law") was approved and became effective on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%.

Pursuant to the Notice on the Implementation Rules for Grandfathering Relief under the New 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 operated in the PRC will gradually transit to the applicable tax rate of 25%.

8. DIVIDEND

	2007 *HK$'000*	2006 *HK$'000*
Proposed final – HK4.3 cents per ordinary share (2006: HK4.0 cents)	**27,698**	25,600

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

9. 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$109,960,000 (2006: HK$101,125,000) and the weighted average of 640,481,000 (2006: 640,000,000) ordinary shares deemed to have been in issue during the year.

Diluted earnings per share amounts for the years ended 31 December 2007 and 2006 have not been disclosed, as the share options outstanding during these years had an anti-dilutive effect on the basic earnings per share for these years.

10. ACCOUNTS AND BILLS RECEIVABLE

	Group	
	2007	2006
	HK$'000	*HK$'000*
Accounts and bills receivable	**297,918**	367,508
Impairment	**(1,618)**	(112)
	296,300	367,396

The Group's trading terms with its customers are generally on credit with terms of up to 60 days and are non-interest-bearing (except for certain well-established customers having strong financial strength, good repayment history and credit worthiness, where the credit terms are extended to 120 days). 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 balance sheet date, based on the invoice date and net of provision, is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Within 30 days	**131,612**	138,659
31 to 60 days	**91,302**	100,241
61 to 90 days	**49,244**	83,166
Over 90 days	**24,142**	45,330
	296,300	367,396

The carrying amounts of the Group's accounts and bills receivable approximate to their fair values.

11. ACCOUNTS AND BILLS PAYABLE

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

	Group	
	2007	2006
	HK$'000	*HK$'000*
Within 90 days	**191,024**	322,382
91 to 180 days	**39,152**	50,865
181 to 365 days	**2,016**	11,322
Over 365 days	**88**	88
	232,280	384,657

The accounts and bills payable are non-interest-bearing and are normally settled on 60-day terms. The carrying amounts of the Group's accounts and bills payable approximate to their fair values.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

We are delighted to report a growth in revenue and net profit in 2007. Revenue for the year ended 31 December 2007 was HK$2,230.8 million, representing an increase of approximately 10.8% from that of previous financial year. Net profit attributable to shareholders increased by approximately 8.8% to HK$110.0 million compared with the previous year. The gross profit margin was maintained at the same level of around 19.7% as in 2006 and the net profit margin was approximately 4.9% in 2007, which was close to 5.0% in 2006.

The increase in revenue was attributable to a strong growth in orders received from both existing customers and new customers in Korea, Malaysia and USA, as well as the growth in the sales of garment products. We thank for the efforts of our R&D and marketing teams which enable the Group to obtain higher value orders at better profit margin this year to partly compensate the increase in outsourcing and staff cost resulting from the labor shortage in the PRC. During the year, the Group has successfully developed a variety of new fabrics for the market and solicited new customers and labels to promote our continuous and sustainable expansion of production capacity and product differentiation.

Same as past years, the large amount of orders that the Group received had greatly exceeded our production capacity. We needed to outsource part of the orders to subcontractors in order to cope with the increasing orders. To cope with the continuous expansion of orders and rising market demand for quality and timely delivery, we are on the way to establish a second fabric factory in Enping, Guangdong Province in the PRC. It is expected to commence production in the third quarter of 2008 and bring a 30% increase to the Group's overall production capacity. With the additional production capacity from the new factory, we will be able to reduce the amount of outsourcing orders and assign extra resources to focus on the high value order with a view to increase profit margin.

The first garment factory of the Group was established in Madagascar in late 2006. In mid-2007, the Group established the second garment factory in Madagascar and the third garment factory in Panyu, the PRC, to accommodate the increasing amount of orders. The expansion in production facilities has raised the total production capacity from 0.8 million pieces at the beginning of 2007 to 1.5 million pieces per month at the end of 2007. Along with the boosted efficiency and addition of new customers, the Group is optimistic about the continuous growth of the garment operation and the contribution to the Group's long-term development.

Besides, the Group had established a new R&D Centre and a Testing Centre in the existing production premises in Panyu, the PRC. The Centres added important value to the Group's success in developing new fabrics, as well as enhancing its international reputation in the production of quality fabrics.

While maintaining the Group's core textile business, the Group also took its first step to diversify its business into the mining sector to broaden its source of income. Eyeing on the opportunities arisen from the increase in demand in zinc and iron in both the PRC and the world market, the Group has acquired the exploration right of a zinc mine and an iron mine in the PRC and Madagascar, respectively. In January 2008, the Group made an agreement with Wuhan Iron and Steel (Group) Company (武漢鋼鐵(集團)有限公司) (the "WISCO"), the third biggest steel production company in the PRC, to set up a joint venture company to explore the mining opportunity in Madagascar. The joint venture will be held beneficially as to 40% by the Group and as to 60% by the WISCO. We believe that the establishment of the joint venture company with WISCO will facilitate the Group's development in the mining business.

Outlook

Looking ahead, the appreciation of Renminbi and increase of labor costs will continue to add pressure to the manufacturing costs in the PRC. However, after several years of production process optimization, the heightened production efficiency achieved by the Group will help to alleviate the negative impact brought by Renminbi appreciation and increasing labor costs.

Furthermore, the Group will continue to expand the textile business by increasing production capacity of its fabric operation with the establishment of the second fabric factory in Enping, the PRC, and also diversifying downstream business to garment manufacturing in Madagascar and PRC. This horizontal and vertical diversification will enhance the Group's long-term development and sustain the Group's profitability in the long run.

We believe the mining business will be beneficial to the Group's long-term development with rewarding profit contribution for the Group and our shareholders in the future.

All in all, in 2007, the Group enjoyed significant success in new business development, and also new market development including the diversification of product varieties and market coverage. With the existing effective management, we are confident that continuous growth will be achieved in 2008.

Operational and Financial Review

The Group is principally engaged in the manufacture and sale of knitted fabrics, dyed yarn and garment product. The Group purchases raw yarn and through a series of production processes including knitting, yarn dyeing, fabric dyeing and final processing to produce dyed yarn and fabric. Part of the fabric will be used for the production of garment.

To ensure stable production, the Group has its own production facilities including a water supply plant, a sewage treatment plant and a power and steam generating plant that sufficiently support the 24-hour non-stop production of the Group's manufacturing base in Panyu, the PRC. Most of the Group's fabric and dyed yarn are supplied to the Group's garment factories in Madagascar and Panyu and other garment manufacturers in various countries around the world for the production of branded casual wear that will be ultimately supplied to major global retail chain stores.

During the year under review, the Group established two garment factories in Madagascar and Panyu, respectively. The factory mainly produces finished knitted garment to major global retail chain operators. In addition, the Group is on the way of establishing a second fabric production factory in Enping, the PRC, which is expected to commence operation in the third quarter of 2008.

Moreover, the Group diversified its business into the mining sector by acquiring the exploration right of a zinc mine and an iron mine in the PRC and Madagascar, respectively. The Group has also formed a team of mining professional to conduct exploration in the area.

Revenue

For the financial year ended 31 December 2007, the Group recorded HK$2,230.8 million (2006: HK$2,013.9 million) in revenue, representing an increase of 10.8% in comparison to that of the previous financial year. The increase in revenue was mainly attributable to the increase in sales to the existing customers and new customers, together with the expansion of sale of garment product.

Gross Profit

The gross profit of the Group for the year ended 31 December 2007 was HK$438.8 million (2006: HK$395.9 million), representing an increase of 10.8% in comparison to the previous year. The gross profit margin for the year ended 31 December 2007 was maintained at 19.7%, which is the same as last year. The Group had obtained higher value orders at better profit margin compared with 2006, which partly compensate the increase in production cost such as staff salary and outsourcing cost.

Net Profit

The Group's net profit attributable to shareholders for the financial year ended 31 December 2007 was HK$110.0 million (2006: HK$101.1 million), representing a year-on-year increase of 8.8%. Net profit margin for the year ended 31 December 2007 was 4.9%, which was close to 5.0% in 2006.

Other Income and Expense

Other income of approximately HK$22.3 million (2006: HK$9.3 million) was mainly comprised of HK$6.3 million (2006: HK$4.1 million) in shipping and handling charges earned by Kam Hing International Shipping Limited and its subsidiaries, and HK$8.0 million (2006: HK$1.8 million) for the sale of excess steam generated by the power plant to the nearby factories in the district. The remaining balance was primarily the result of interest income, rental income, the sale of scrap materials and fair value gain on derivative financial instruments. Selling and distribution costs of HK$98.6 million (2006: HK$89.8 million) consisted of HK$86.2 million (2006: HK$82.7 million) in shipping and delivery costs, representing an increase of 4.2% in comparison to the previous year which is in line with the increase in turnover. Administrative expenses, which include salaries, depreciation and other related expenses, increased 24.1% year-on-year to HK$178.1 million (2006: HK$143.5 million). The increase was due to salary increment as well as improvement in the staff welfare for the PRC factory resulting from labor shortage and additional administrative staff for the expansion of garment operation.

Finance costs, which mainly include interest on long-term loans from banks, short-term trust receipt loans and finance lease interest, increased by 10.5% to HK$45.1 million (2006: HK$40.8 million) as compared with the previous year. This was primarily a result of the increase in working capital requirement due to the expansion of the Group's operations.

Liquidity and Financial Resources

As at 31 December 2007, the Group had net current assets of HK$271.9 million (2006: HK$47.8 million). The increase in net current assets was mainly attributable to the refinancing of the previous syndicated loan in April 2007 by a new syndicated loan of HK$440.0 million, of which HK$35.2 million was due in 2008 as current liabilities and HK$404.8 million was due from 2009 to 2011 as long term liabilities. The Group will constantly review its financial position and maintain a healthy financial position by financing its operations from internally generated resources and long-term bank loans. As at 31 December 2007, the Group had cash and cash equivalents of HK$113.2 million (2006: HK$193.1 million). The current ratio of the Group was 1.4 times (2006: 1.0 times).

The total bank and other borrowings of the Group as at 31 December 2007 were HK$782.1 million (2006: HK$750.0 million), netting off the cash and cash equivalents of HK$113.2 million (2006: HK$193.1 million), the Group's gearing ratio was approximately 50.5% (2006: 55.3%). Decrease in gearing ratio was mainly due to the strengthened credit control.

Debtors' turnover period, inventory turnover period and creditors' turnover period for the year were 54.3 days (2006: 61.6 days), 99.2 days (2006: 97.5 days) and 62.8 days (2006: 68.4 days) respectively. The decrease in the debtors' turnover period was due to early settlement of some customers as a result of better credit control. The increase in the inventory turnover period was attributable to the expansion of garment operation which is required to keep longer fabric stock for the garment production. The creditors' turnover period decreased was due to less purchase near year end as a result of reduced customer order in late 2007.

Financing

As at 31 December 2007, the total banking and loan facilities of the Group amounted to HK$2,375.2 million (2006: HK$1,416.5 million), of which HK$809.6 million (2006: HK$672.7 million) was utilised.

As at 13 April 2007, the Group has successfully obtained a four-year syndicated loan facility of HK$440.0 million from a syndicate of banks at interest rate of HIBOR plus 0.68% per annum for refinancing current syndicated loan, supplying additional working capital and financing future expansion of production capacity. The syndicated loan facility could reduce interest expenses and strengthen the Group's financial position.

As at 31 December 2007, the Group's long-term loans were HK$414.9 million (2006: HK$188.4 million) comprised of term loans from banks of HK$402.1 million (2006: HK$151.7 million) and long-term finance lease payable of HK$12.8 million (2006: HK$36.7 million). The increase in long-term loan was mainly attributable to the refinancing of the previous syndicated loan in April 2007 by a new syndicated loan.

The Group's long-term bank loans comprised of loans drawn down by Kam Hing Piece Works Limited, which were not secured by any assets of the Group but by corporate guarantees provided by other members within the Group.

Dividend

The Board has resolved to recommend the payment of a final dividend of HK4.3 cents (2006: HK4.0 cents) per share in respect of the year ended 31 December 2007 to shareholders of record as of 26 May 2008. The decision is subject to approval by shareholders regarding the payment of the final dividend at the annual general meeting of the Company. The proposed final dividend will be paid on 10 June 2008 following approval at the Annual General Meeting.

Capital Structure

There has been no change in the capital structure of the Company. The share capital of the Company comprises only ordinary shares.

Foreign Exchange Risk and Interest Rate Risk

76.2% (2006: 76.3%) 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, primarily with respect to US dollars and Renminbi. Renminbi appreciated against other currencies continuously during the year under review. The management closely monitors the foreign exchange movements and determines the appropriate hedging activities when necessary. Exchange rate of the other currencies was relatively stable throughout the year under review.

The Group's borrowings were mainly maintained as floating rate basis. Attention will be paid to the interest rate movements. Hedging instruments will be employed when necessary to hedge against unanticipated interest rate volatilities.

Charge on Group's Assets

As at 31 December 2007, certain items of property, plant and equipment of the Group with an aggregate net book value of HK$94.8 million (2006: HK$194.6 million) were under finance leases.

Capital Expenditure

During the year under review, the Group invested HK$199.5 million (2006: HK$180.2 million) in property, plant and equipment, as well as prepaid land lease payments, of which 80.1% (2006: 77.2%) was used for the purchase of plant and machinery, 12.9% (2006: 14.2%) was used for the acquisition and construction of new factory premises, 3.8% (2006: 4.7%) was used for the acquisition of pieces of land in preparation for future production capacity expansion and the remaining was used for the purchase of other property, plant and equipment and intangible assets.

As at 31 December 2007, the Group had capital commitments of HK$129.5 million (2006: HK$21.9 million) in property, plant and equipment, which are to be funded by net proceeds from internal resources.

Staff Policy

The Group had 4,150 (2006: 4,050) employees in the PRC, 4,680 (2006: 1,140) employees in Madagascar and 140 (2006: 153) employees in Hong Kong, Macau and Singapore as at 31 December 2007. 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 Company maintains a share option scheme, pursuant to which share options are granted to select eligible executives, with a view to provide senior management an appropriate incentive package for the growth of the Group.

Contingent Liabilities

As at 31 December 2007, the Company had contingent liabilities in relation to guarantees given to banks to secure credit facilities granted to certain subsidiaries amounting to HK$809.6 million (2006: HK$672.7 million). The Group also had bills discounted with recourse of HK$39.2 million (2006: HK$103.3 million). The Group had a contingent liability in respect of possible future long service payments to employees with a maximum possible amount of HK$1.5 million (2006: HK$2.1 million).

Major Customers and Suppliers

In the year ended 31 December 2007, sales to the five largest customers accounted for 47.3% (2006: 55.7%) of the total sales and sales to the largest customer included therein accounted for 17.1% (2006: 20.9%).

Purchases from the five largest suppliers accounted for 37.6% (2006: 37.2%) of the total purchases for the year and purchases from the largest supplier included therein accounted for 11.8% (2006: 9.5%).

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

AGM

The AGM will be held at Units 1-9, 8/F., Lucida Industrial Building, 43-47 Wang Lung Street, Tsuen Wan, N.T., Hong Kong on Monday, 26 May 2008 at 11:00a.m.. For details of the AGM, please refer to the notice of AGM which will be published on 30 April 2008.

CLOSURE OF REGISTER OF MEMBERS

The transfer books and register of members of the Company will be closed from 20 May 2008 to 26 May 2008, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for attending the AGM and the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch registrar, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m., 19 May 2008.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code for securities transactions by directors (the "Directors") of the Company. Having made specific enquiry of all Directors, the Company has confirmed that the Directors have complied with the required standard set out in the Model Code for the year ended 31 December 2007.

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

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

Full details on the subject of corporate governance are set out in the Corporate Governance Report of the Annual Report.

The audit committee of the Company 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 2007.

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The electronic version of this announcement which contains all the relevant information as required by paragraph 45 of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange (http://www.hkexnews.hk). An annual report of the Company for the year ended 31 December 2007 containing the information required by Appendix 16 to the Listing Rules will be despatched to shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

GENERAL INFORMATION

As at the date of this announcement, the executive Directors are Mr. Tai Chin Chun, Mr. Tai Chin Wen, Ms. Cheung So Wan, Ms. Wong Siu Yuk and Mr. Chong Chau Lam; the independent non-executive Directors are Mr. Ku Shiu Kuen, Anthony, Ms. Chu Hak Ha, Mimi, Mr. Chan Yuk Tong, Jimmy and Mr. Chan Chung Yuen, Lawrence.

By Order of the Board
Mr. Tai Chin Chun
Chairman

Hong Kong, 21 April 2008