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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 2010

FINANCIAL HIGHLIGHTS

- Revenue increased by 29.5% to HK$3,267.8 million
- Gross Profit increased 16.0% to HK$511.6 million
- Profit for the year increased by 29.4% to HK$104.4 million
- Proposed final dividend was HK2.7 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 2010 (the "Year"), together with the comparative figures for the year ended 31 December 2009, as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2010

	Notes	**2010** ***HK$'000***	2009 *HK$'000*
REVENUE	*3,4*	**3,267,785**	2,523,245
Cost of sales		**(2,756,147)**	(2,082,346)
Gross profit		**511,638**	440,899
Other income and gains, net	*4*	**24,358**	15,936
Selling and distribution costs		**(99,342)**	(102,010)
Administrative expenses		**(286,444)**	(245,618)
Other operating income/(expenses), net		**(4,099)**	142
Finance costs		**(27,818)**	(17,452)
Share of profit less losses of a jointly-controlled entity		**4,124**	(563)
Share of profit less losses of associates		**(256)**	(800)
PROFIT BEFORE TAX	*5*	**122,161**	90,534
Income tax expense	*6*	**(17,778)**	(9,859)
PROFIT FOR THE YEAR		**104,383**	80,675
Attributable to:			
Ordinary equity holders of the Company		**96,484**	83,115
Non-controlling interests		**7,899**	(2,440)
		104,383	80,675
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*8*		
Basic		**HK11.9 cents**	HK12.5 cents
Diluted		**HK11.4 cents**	HK12.1 cents

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Notes	**31 December 2010 HK$'000**	31 December 2009 HK$'000 (Restated)	1 January 2009 HK$'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment		**1,512,328**	1,444,534	1,397,747
Prepaid land lease payments		**61,463**	63,096	63,458
Intangible assets		**–**	2,580	2,973
Interest in a jointly-controlled entity		**39,709**	27,416	10,941
Interests in associates		**206,992**	300	1,100
Deposits paid		**20,730**	21,399	21,436
Deferred tax assets		**2,881**	–	–
Total non-current assets		**1,844,103**	1,559,325	1,497,655
CURRENT ASSETS				
Inventories		**988,548**	520,992	448,019
Accounts and bills receivable	*9*	**570,257**	384,711	459,337
Prepayments, deposits and other receivables		**39,340**	31,090	24,103
Equity investment at fair value through profit or loss		**607**	573	349
Derivative financial instruments		**2,143**	2,314	1,459
Due from non-controlling shareholders		**–**	–	20,258
Due from a jointly-controlled entity		**42,441**	6,885	–
Due from an associate		**–**	3,287	3,287
Tax recoverable		**–**	45	–
Pledged deposits		**87,415**	40,382	8,823
Cash and cash equivalents		**252,355**	390,821	137,539
Total current assets		**1,983,106**	1,381,100	1,103,174
CURRENT LIABILITIES				
Accounts and bills payable	*10*	**754,032**	499,568	312,017
Accrued liabilities and other payables		**225,437**	83,992	97,108
Derivative financial instruments		**10,696**	15,436	20,032
Loan from a non-controlling shareholder		**–**	8,000	–
Due to an associate		**1,600**	–	–
Tax payable		**33,675**	26,272	20,532
Bank advances for discounted bills	*9*	**24,239**	–	71,088
Interest-bearing bank and other borrowings		**825,815**	719,442	623,040
Total current liabilities		**1,875,494**	1,352,710	1,143,817
NET CURRENT ASSETS/(LIABILITIES)		**107,612**	28,390	(40,643)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,951,715**	1,587,715	1,457,012
NON-CURRENT LIABILITIES				
Loan from a non-controlling shareholder		**12,000**	–	–
Interest-bearing bank and other borrowings		**251,093**	99,610	264,822
Deferred tax liabilities		**684**	508	766
Total non-current liabilities		**263,777**	100,118	265,588
Net assets		**1,687,938**	1,487,597	1,191,424

	31 December 2010 HK$'000	31 December 2009 HK$'000 (Restated)	1 January 2009 HK$'000 (Restated)
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital	**86,972**	77,349	64,458
Reserves	**1,554,122**	1,369,903	1,083,661
	1,641,094	1,447,252	1,148,119
Non-controlling interests	**46,844**	40,345	43,305
Total equity	**1,687,938**	1,487,597	1,191,424

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Basis of consolidation from 1 January 2010

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

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

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

Basis of consolidation prior to 1 January 2010

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

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

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

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards - Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment - Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement - Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
HKFRS 5 Amendments included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations - Plan to sell the controlling interest in a subsidiary*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009

HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 *Lease - Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

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

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

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

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

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

  The Group has reassessed its leases in Hong Kong, Mainland China and Madagascar, previously classified as operating leases, upon the adoption of the amendments. The classification of leases in Mainland China and Madagascar remained as operating leases. As substantially all the risks and rewards associated with the leases in Hong Kong have been transferred to the Group, the leases in Hong Kong are classified as finance leases. In prior years, since the lease payments in Hong Kong could not be allocated reliably between the land and buildings elements, the entire lease payments were included in the cost of the land and the buildings as a finance lease in property, plant and equipment. Accordingly, the adoption of HKAS 17 and Amendments to HK Interpretation 4 has had no effect on the consolidated statement of financial position.

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

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

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

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

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

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 2010

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

Year ended 31 December 2010 (Continued)

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

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

Year ended 31 December 2009

	Fabric	Garment	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:				
Revenue from external customers	2,287,671	235,574	–	2,523,245
Intersegment revenue	40,735	51	–	40,786
	2,328,406	235,625	–	2,564,031
Elimination of intersegment revenue				(40,786)
Total revenue				2,523,245
Segment profits/(loss)	75,538	34,094	(283)	109,349
Finance costs	(17,176)	(228)	(48)	(17,452)
Share of 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	33,866	(1,131)	90,534
Income tax expense	(9,782)	–	(77)	(9,859)
Profits/(loss) for the year	48,017	33,866	(1,208)	80,675
Assets and liabilities				
Segment assets	2,771,678	131,043	9,988	2,912,709
Interest in a jointly-controlled entity	27,416	–	–	27,416
Interests in associates	–	–	300	300
Total assets	2,799,094	131,043	10,288	2,940,425
Segment liabilities	1,408,644	28,195	15,481	1,452,320
Deferred tax liabilities	508	–	–	508
Total liabilities	1,409,152	28,195	15,481	1,452,828

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

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 ended 31 December 2009,

Geographical information

(a) Revenue from external customers

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

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

(b) Non-current assets

	2010	2009
	HK$'000	*HK$'000*
Mainland China	**1,565,078**	1,498,765
Hong Kong	**255,751**	35,801
Madagascar	**22,491**	23,854
Singapore	**79**	116
Others	**704**	789
	1,844,103	1,559,325

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

Information about a major customer

Revenue of approximately HK$389,692,000 (2009: HK$359,953,000) was derived from sales by the fabric products segment and subcontracting services by the garment products segment to a single customer, including sales to a group of entities which are known to be under common control with that customer.

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:

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

5. PROFIT BEFORE TAX

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

	2010	2009
	HK$'000	*HK$'000*
Cost of inventories sold and services provided	**2,756,147**	2,082,346
Research and development costs	**6,206**	5,392
Depreciation of items of property, plant and equipment	**184,445**	148,524
Amortisation of prepaid land lease payments	**1,501**	1,477
Amortisation of intangible assets	**261**	393
Employee benefits expense (excluding directors' remuneration):		
Wages and salaries	**277,420**	231,156
Equity-settled share option expense	**6,605**	6,461
Pension scheme contributions	**13,935**	11,142
	297,960	248,759
Minimum lease payments under operating leases in respect of land and buildings	**6,232**	5,614
Gain on disposal of items of property, plant and equipment	**(546)**	(77)
Impairment of intangible assets	**2,319**	–
Impairment of accounts receivable	**4,190**	134
Write-back of impairment allowance for accounts receivable	**(348)**	(3,362)
Impairment of other receivable	**–**	574
Write-back of impairment allowance for other receivable	**(286)**	–
Provision for/(write-back of provision for) a legal claim	**(2,120)**	2,120
Fair value losses/(gains), net		
Equity investment at fair value through profit or loss – held for trading	**(34)**	(224)
Derivative financial instruments – transactions not qualified as hedges and matured during the year	**(5,022)**	(8,155)
Derivative financial instruments – transactions not qualified for hedges and not yet matured	**8,553**	13,122
Foreign exchange differences, net	**(1,491)**	(385)
Subsidy income from the PRC government	**(4,559)**	–

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

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

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

6. INCOME TAX

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

Hong Kong profits tax has been provided on the estimated assessable profits arising in Hong Kong at the rate of 16.5% (2009: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

The Group has estimated tax losses arising in Hong Kong of HK$6,699,000 (2009: HK$12,670,000) that are available indefinitely for offsetting against future taxable profits of the Company and the respective subsidiaries. No deferred tax assets have been recognised in respect of these losses as the directors consider it is not probable that future taxable profit will be available against which these tax losses can be utilised.

Pursuant to the Corporate Income Tax Law of the 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 the 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 corporate income tax in the PRC. The applicable tax rate of Kam Sing and En Ping KH, after the 50% reduction, is 12.5%.

7. DIVIDEND

	2010	2009
	HK$'000	*HK$'000*
Proposed final – HK2.7 cents (2009: HK2.5 cents) per ordinary share	**23,500**	20,088

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

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

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company of HK$96,484,000 (2009: HK$83,115,000). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

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

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

9. ACCOUNTS AND BILLS RECEIVABLE

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

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:

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

Included in the above accounts and bills receivable as at 31 December 2010, amounts totalling HK$24,239,000 (2009: Nil) were discounted to banks in exchange for cash and included as "Bank advances for discounted bills" on the face of the consolidated statement of financial position.

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

	2010	2009
	HK$'000	*HK$'000*
At 1 January	**6,817**	10,045
Impairment losses recognised	**4,190**	134
Write-back of impairment losses	**(348)**	(3,362)
Write-off as uncollectible	**(1,197)**	–
At 31 December	**9,462**	6,817

Included in the above impairment allowance for accounts and bills receivable is an allowance for individually impaired accounts receivable of HK$9,462,000 (2009: HK$6,817,000) with a carrying amount before impairment allowance of HK$9,462,000 (2009: HK$6,817,000). The individually impaired accounts receivable relate to customers that were in default or delinquency in payments. The Group does not hold any collateral or other credit enhancements over these balances.

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

	2010	2009
	HK$'000	*HK$'000*
Neither past due nor impaired	**417,653**	210,275
Less than 1 month past due	**113,851**	83,207
1 to 6 months past due	**38,085**	88,284
Over 6 months past due	**668**	2,945
	570,257	384,711

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

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

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:

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

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

BUSINESS REVIEW

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

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

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

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

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

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

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

NEW DEVELOPMENTS

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

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

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

PROSPECTS

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

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

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

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

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

FINANCIAL REVIEW

Revenue

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

Gross Profit and Gross Profit Margin

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

Net Profit and Net Profit Margin

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

Other Income and Expenses

Other income of approximately HK$24.4 million (2009: HK$15.9 million) for the Year mainly comprised HK$15.8 million (2009: HK$15.4 million) from the sales of excess steam generated by the power plant to the nearby factories in the district, as well as the fair value losses of HK$8.6 million (2009: HK$13.1 million) from interest rate swaps and forward currency contracts which are not yet matured. The remaining balance was primarily the result of interest income, rental income and the sales of scrap materials.

Selling and distribution costs of HK$99.3 million (2009: HK$102.0 million) for the Year consisted of HK$75.9 million (2009: HK$78.7 million) in shipping and delivery costs, which represented an decrease of 3.6% relative to the previous year. Administrative expenses, which included salaries, depreciation and other related expenses, increased by HK$40.8 million year-on-year to HK$286.4 million (2009: HK$245.6 million). The increase was due to the early production stage of operations of the Enping plant.

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

Liquidity and Financial Resources

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

Total bank and other borrowings of the Group, as at 31 December 2010, were HK$1,113.1 million (2009: HK$827.1 million). Cash and cash equivalents of the Group were HK$252.4 million (2009: HK$390.8 million). The Group's net debt gearing ratio was maintained at a healthy level of approximately 52.9% (2009: 41.3%). Net debt gearing ratio is net debt divided by the total capital plus net debt. Net debt comprises all interest-bearing bank and other borrowings, bank advances for discounted bills, loan from a non-controlling shareholder, an amount due to an associate, accounts and bills payable, and accrued liabilities and other payables less cash and cash equivalents. The total equity comprises owner's equity as stated in the consolidated statement of financial position.

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

Financing

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

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

Dividend

The Board has resolved to recommend the payment of a final dividend of HK2.7 cents (2009: HK2.5 cents) per share in respect of the Year to be payable to shareholders whose names appear on the register of members of the Company on 3 June 2011. Subject to the approval by shareholders regarding the payment of the final dividend at the forthcoming annual general meeting of the Company, the proposed final dividend will be paid on or about 17 June 2011.

Capital Structure

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

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

Foreign Exchange Risk and Interest Rate Risk

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

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

Charge of Group's Assets

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

Capital Expenditure

During the Year, the Group invested HK$264.2 million (2009: HK$215.0 million) in capital expenditure of which 87.8% (2009: 83.5%) was used for the purchase of plant and machinery, 5.5% (2009: 5.3%) was used for the acquisition and construction of new factory premises, and the remaining was used for the purchase of other property, plant and equipment, as well as investment in a jointly controlled entity and an associate.

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

Staff Policy

The Group had 6,351 (2009: 5,460) employees in the PRC, 2,344 (2009: 3,950) employees in Madagascar and 171 (2009: 170) employees in Hong Kong, Macau, Singapore and Korea as at 31 December 2010. Remuneration packages are generally structured by reference to market terms and individual qualification. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors, Discretionary bonuses are offered to the Group's staff depending on their performance and the results of the Group. The Group also participates in various defined contribution plans and insurance schemes in compliance with its statutory obligations under the laws and regulations of various locations worldwide.

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

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

Major Customers and Suppliers

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

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

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

Segment Information

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

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

Material Acquisition and Disposal

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

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

Annual General Meeting

The Annual General Meeting ("AGM") of the Company will be held at Units 1-9, 8/F., Lucida Industrial Building, 43-47 Wang Lung Street, Tsuen Wan, N.T., Hong Kong on Friday, 3 June 2011 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, 1 June 2011 to Friday, 3 June 2011 (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 4:30 p.m. on Tuesday, 31 May 2011.

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.

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.

GENERAL INFORMATION

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, Mr. Chong Chau Lam and Mr. Wong Wai Kong, Elmen; the non-executive Director is Mr. Lee Cheuk Yin, Dannis; and the independent non-executive Directors are Mr. Chan Yuk Tong, Jimmy, Ms. Chu Hak Ha, Mimi and Mr. Ho Gilbert Chi Hang.

By Order of the Board
Tai Chin Chun
Chairman

Hong Kong, 28 March, 2011