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 2011

FINANCIAL HIGHLIGHTS

- Revenue increased by 24.4% to HK$4,065.4 million
- Gross Profit increased by 15.2% to HK$589.5 million
- Profit for the year increased by 21.8% to HK$127.2 million
- Proposed final dividend was HK3.3 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 2011 (the "Year"), together with the comparative figures for the year ended 31 December 2010, as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
REVENUE	3, 4	**4,065,355**	3,267,785
Cost of sales		**(3,475,905)**	(2,756,147)
Gross profit		**589,450**	511,638
Other income and gains, net	4	**24,468**	24,358
Selling and distribution costs		**(111,751)**	(99,342)
Administrative expenses		**(319,881)**	(286,444)
Other operating income/(expenses), net		**10,195**	(4,099)
Gain on disposal of a subsidiary		**12,797**	–
Finance costs		**(41,526)**	(27,818)
Share of profits less losses of a jointly-controlled entity		**(6,668)**	4,124
Share of profits less losses of associates		**(2,500)**	(256)
PROFIT BEFORE TAX	5	**154,584**	122,161
Income tax expense	6	**(27,352)**	(17,778)
PROFIT FOR THE YEAR		**127,232**	104,383
Attributable to:			
Ordinary equity holders of the Company		**114,587**	96,484
Non-controlling interests		**12,645**	7,899
		127,232	104,383
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic		**HK13.2 cents**	HK11.9 cents
Diluted		**HK13.2 cents**	HK11.4 cents

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2011

	2011 *HK$'000*	2010 *HK$'000*
PROFIT FOR THE YEAR	**127,232**	104,383
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Exchange differences on translation of foreign operations	**103,112**	(2,435)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**230,344**	101,948
Attributable to:		
Ordinary equity holders of the Company	**215,316**	94,049
Non-controlling interests	**15,028**	7,899
	230,344	101,948

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,622,430**	1,512,328
Prepaid land lease payments		**72,109**	61,463
Intangible assets		**–**	–
Interest in a jointly-controlled entity		**33,041**	39,709
Interests in associates		**48,848**	206,992
Deposits paid		**27,553**	20,730
Deferred tax assets		**5,020**	2,881
Total non-current assets		**1,809,001**	1,844,103
CURRENT ASSETS			
Inventories		**899,011**	988,548
Accounts and bills receivable	9	**872,463**	570,257
Prepayments, deposits and other receivables		**56,124**	39,340
Equity investment at fair value through profit or loss		**159**	607
Derivative financial instruments		**1,960**	2,143
Due from a jointly-controlled entity		**14,505**	42,441
Tax recoverable		**748**	–
Pledged deposits		**121,790**	87,415
Cash and cash equivalents		**553,108**	252,355
Total current assets		**2,519,868**	1,983,106
CURRENT LIABILITIES			
Accounts and bills payable	10	**812,820**	754,032
Accrued liabilities and other payables		**131,529**	225,437
Derivative financial instruments		**6,614**	10,696
Loan from a shareholder of an associate		**77,800**	–
Due to an associate		**–**	1,600
Tax payable		**46,009**	33,675
Bank advances for discounted bills	9	**114,783**	24,239
Interest-bearing bank and other borrowings		**491,513**	825,815
Total current liabilities		**1,681,068**	1,875,494
NET CURRENT ASSETS		**838,800**	107,612
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,647,801**	1,951,715
NON-CURRENT LIABILITIES			
Loan from a non-controlling shareholder		**–**	12,000
Interest-bearing bank and other borrowings		**752,775**	251,093
Deferred tax liabilities		**697**	684
Total non-current liabilities		**753,472**	263,777
Net assets		**1,894,329**	1,687,938

	2011	2010
	HK$'000	*HK$'000*
EQUITY		
Equity attributable to ordinary equity holders of the Company		
Issued capital	**86,992**	86,972
Reserves	**1,746,062**	1,554,122
	1,833,054	1,641,094
Non-controlling interests	**61,275**	46,844
Total equity	**1,894,329**	1,687,938

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 2011. 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.

Total comprehensive income within a subsidiary is 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.

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 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*
HKAS 24 (Revised)	*Related Party Disclosures*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of HKAS 24 (Revised), and amendments to HKAS 1 and HKAS 27 included in *Improvements to HKFRSs 2010*, 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) HKAS 24 (Revised) *Related Party Disclosures*

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group. Details of the related party transactions, including the related comparative information, are included in notes to the consolidated financial statements.

(b) *Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 1 *Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

- HKAS 27 *Consolidated and Separate Financial Statements*: The amendment clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

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 2011

	Fabric	**Garment**	**Others**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:				
Revenue from external customers	**3,816,115**	**249,240**	**–**	**4,065,355**
Intersegment revenue	**69,045**	**–**	**–**	**69,045**
	3,885,160	**249,240**	**–**	**4,134,400**
Elimination of intersegment revenue				**(69,045)**
Total revenue				**4,065,355**
Segment profits	**175,175**	**16,937**	**369**	**192,481**
Finance costs	**(41,157)**	**(227)**	**(142)**	**(41,526)**
Share of profits less losses of a jointly-controlled entity	**(6,668)**	**–**	**–**	**(6,668)**
Share of profits less losses of associates	**–**	**–**	**(2,500)**	**(2,500)**
Gain on disposal of a subsidiary	**–**	**–**	**12,797**	**12,797**
Profit before tax	**127,350**	**16,710**	**10,524**	**154,584**
Income tax expense	**(26,147)**	**(1,160)**	**(45)**	**(27,352)**
Profit for the year	**101,203**	**15,550**	**10,479**	**127,232**

Year ended 31 December 2011 *(Continued)*

	Fabric	Garment	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets and liabilities				
Segment assets	**4,116,704**	**121,686**	**3,570**	**4,241,960**
Interest in a jointly-controlled entity	**33,041**	**–**	**–**	**33,041**
Interests in associates	**–**	**–**	**48,848**	**48,848**
Deferred tax assets	**5,020**	**–**	**–**	**5,020**
Total assets	**4,154,765**	**121,686**	**52,418**	**4,328,869**
Segment liabilities	**2,385,973**	**39,304**	**8,566**	**2,433,843**
Deferred tax liabilities	**697**	**–**	**–**	**697**
Total liabilities	**2,386,670**	**39,304**	**8,566**	**2,434,540**
Other segment information:				
Depreciation and amortisation	**204,450**	**4,535**	**9**	**208,994**
Loss/(gain) on disposal of items of property, plant and equipment	**(111)**	**22**	**–**	**(89)**
Impairment of accounts receivable	**3,142**	**–**	**–**	**3,142**
Write-off of accounts receivable	**416**	**–**	**–**	**416**
Write-back of impairment allowance for accounts receivable	**(1,900)**	**–**	**–**	**(1,900)**
Impairment of inventories	**31,883**	**–**	**–**	**31,883**
Capital expenditure*	**231,848**	**242**	**51,748**	**283,838**

* Capital expenditure consists of additions of property, plant and equipment, additions of prepaid land lease payments and the capital contribution to an associate during the year ended 31 December 2011.

Year ended 31 December 2010

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

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 additions of property, plant and equipment and capital contribution to a jointly-controlled entity and an associate during the year ended 31 December 2010.

Geographical information

(a) Revenue from external customers

	2011	2010
	HK$'000	*HK$'000*
Singapore	**1,291,971**	1,111,330
Korea	**755,169**	384,147
Hong Kong	**744,520**	745,156
Mainland China	**561,896**	519,978
Taiwan	**351,493**	278,436
Others	**360,306**	228,738
	4,065,355	3,267,785

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

(b) Non-current assets

	2011	2010
	HK$'000	*HK$'000*
Mainland China	**1,691,550**	1,562,197
Hong Kong	**91,940**	255,751
Madagascar	**19,755**	22,491
Singapore	**75**	79
Others	**661**	704
	1,803,981	1,841,222

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

Information about a major customer

Revenue of approximately HK$434,407,000 (2010: HK$389,692,000) 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	**2011** *HK$'000*	2010 *HK$'000*
Revenue			
Production and sale of knitted fabric, dyed yarn and provision of related subcontracting services		**3,816,115**	3,035,308
Production and sale of garment products and provision of related subcontracting services		**249,240**	232,477
		4,065,355	3,267,785
Other income			
Fee income from freight handling services		**4,830**	4,723
Bank interest income		**5,372**	984
Gross rental income		**497**	389
Others		**19,571**	21,759
		30,270	27,855
Gains, net			
Fair value gains/(losses), net:			
Equity investment at fair value through profit or loss – held for trading	*5*	**(448)**	34
Derivative financial instruments – transactions not qualified as hedges but matured during the year	*5*	**(700)**	5,022
Derivative financial instruments – transactions not qualified as hedges and not yet matured	*5*	**(4,654)**	(8,553)
		(5,802)	(3,497)
Other income and gains, net		**24,468**	24,358

5. PROFIT BEFORE TAX

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

	2011 HK$'000	2010 HK$'000
Cost of inventories sold and services provided	**3,475,905**	2,756,147
Research and development costs	**6,301**	6,206
Depreciation of items of property, plant and equipment	**207,266**	184,445
Amortisation of prepaid land lease payments	**1,728**	1,501
Amortisation of intangible assets	**–**	261
Employee benefits expense (excluding directors' remuneration):		
Wages and salaries	**342,930**	277,420
Equity-settled share option expense	**–**	6,605
Pension scheme contributions	**19,081**	13,935
	362,011	297,960
Minimum lease payments under operating leases in respect of land and buildings	**7,241**	6,232
Gain on disposal of items of property, plant and equipment	**(89)**	(546)
Impairment of intangible assets	**–**	2,319
Impairment of accounts receivable	**3,142**	4,190
Write-off of accounts receivable	**416**	–
Write-back of impairment allowance for accounts receivable	**(1,900)**	(348)
Write-back of impairment allowance for other receivable	**–**	(286)
Impairment of inventories	**31,883**	–
Write-back of provision for a legal claim	**–**	(2,120)
Fair value losses/(gains), net:		
Equity investment at fair value through profit or loss – held for trading	**448**	(34)
Derivative financial instruments – transactions not qualified as hedges but matured during the year	**700**	(5,022)
Derivative financial instruments – transactions not qualified as hedges and not yet matured	**4,654**	8,553
Foreign exchange differences, net	**(11,769)**	(1,491)
Subsidy income from the People's Republic of China (the "PRC") government	**(2,381)**	(4,559)

The cost of inventories sold and services provided includes depreciation and staff costs of HK$442,927,000 (2010: HK$363,126,000), which are also included in the respective total amounts disclosed separately above, and impairment of inventories of HK$31,883,000 (2010: Nil).

The research and development costs include depreciation and staff costs of HK$5,505,000 for the year ended 31 December 2011 (2010: HK$5,324,000), which are also included in the respective total amounts disclosed separately above.

At 31 December 2011, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2010: Nil).

6. INCOME TAX

	Group	
	2011	2010
	HK$'000	*HK$'000*
Current tax – Hong Kong		
Charge for the year	**13,060**	8,791
Overprovision in prior years	**(2,229)**	(813)
Current tax – Elsewhere		
Charge for the year	**18,297**	12,436
Underprovision in prior years	**56**	69
Deferred tax credit	**(1,832)**	(2,705)
Total tax charge for the year	**27,352**	17,778

Hong Kong profits tax has been provided on the estimated assessable profits arising in Hong Kong at the rate of 16.5% (2010: 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 (2010: HK$6,699,000) that are available indefinitely for offsetting against future taxable profits of the Company and the respective subsidiaries in which the losses arose. No deferred tax assets have been recognised in respect of these losses as the directors consider it is not probable that future taxable profit will be available against which these tax losses can be utilised.

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

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

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

7. DIVIDEND

The proposed final dividend for the year of HK3.3 cents (2010: HK2.7 cents) per ordinary share, in aggregate of approximately HK$28.7 million (2010: approximately HK$23.5 million), 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 amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK$114,587,000 (2010: HK$96,484,000), and the weighted average of 869,917,904 (2010: 814,112,534) ordinary shares deemed to have been in issue during the year.

The calculation of diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK$114,587,000 (2010: HK$96,484,000). 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:

	2011	2010
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the Company	**114,587**	96,484

	Number of shares	
	2011	2010
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**869,917,904**	814,112,534
Effect of dilution – weighted average number of ordinary shares:		
Share options	**7,863**	33,325,113
	869,925,767	847,437,647

9. ACCOUNTS AND BILLS RECEIVABLE

	Group	
	2011	2010
	HK$'000	*HK$'000*
Accounts and bills receivable	**878,604**	579,719
Impairment	**(6,141)**	(9,462)
	872,463	570,257

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 maintain 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. The Group does not hold any collateral or other credit enhancements over its accounts and bills receivable balances.

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

	Group	
	2011	2010
	HK$'000	*HK$'000*
Within 1 month	**336,470**	307,266
1 to 2 months	**231,916**	174,662
Over 2 months	**304,077**	88,329
	872,463	570,257

Included in the above accounts and bills receivable as at 31 December 2011, amounts totalling HK$114,783,000 (2010: HK$24,239,000) were discounted to banks in exchange for cash and included as "Bank advances for discounted bills" on the face of the consolidated statement of financial position.

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:

	Group	
	2011	2010
	HK$'000	*HK$'000*
Within 3 months	**702,965**	576,934
3 to 6 months	**106,749**	170,730
6 to 12 months	**3,106**	2,365
Over 1 year	**–**	4,003
	812,820	754,032

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

BUSINESS REVIEW

The Group is principally engaged in the manufacturing and selling of knitted fabrics, dyed yarn and garment products, which includes production processes ranging from cotton spinning, knitting, yarn dyeing, fabric dyeing, final processing to garment manufacturing.

The overall operating environment remained challenging in 2011, as sluggish market recovery in Europe and the United States coupled with the unpredictable cotton price fluctuations undermined the performance of textile and garment players globally. This resulted in a global market downsizing and many small and medium enterprises were inevitably pushed out. Yet our leading position as a one-stop textile and garment producer remained prominent, as our healthy financial position allowed us to stand in good stead during the consolidation process, garnering larger market share in the Year.

For the year ended 31 December 2011, the Group's overall revenue increased by approximately 24.4% to HK$4,065.4 million (2010: HK$3,267.8 million). Gross profit increased by approximately 15.2% to HK$589.5 million (2010: HK$511.6 million). The profit for the year improved by 21.8% to HK$127.2 million (2010: HK$104.4 million) and profit attributable to ordinary equity holders of the Company grew by a respectable 18.8% to HK$114.6 million (2010: HK$96.5 million). The increase in turnover is mainly attributable to strong recurrent orders from existing and new clients.

Regional sales for the year ended 31 December 2011 achieved a solid performance with Korea, Taiwan and Singapore markets registering growth rates of 96.6%, 26.2% and 16.3% respectively, as compared with the previous year.

The Group's key export months traditionally lie in the six-month period between March and September. Nonetheless, sky-high cotton yarn costs in 2010 continued into the first quarter of 2011 and expectation for an economic recovery in 2011 have caused strong-buying from our customers, so to lock in orders at better raw material prices. The sudden shift in purchasing behaviour has instead created a full capacity production in the first quarter, and together with the Group's ability to raise its products' average selling prices, overall sales volume and margin were significantly enhanced for the first six months in the Year.

The market, however, dramatically changed when cotton prices peaked in March 2011 before losing more than half of its value by the end of December 2011. The price decline hence triggered prudent purchasing behaviour from our customers, mainly in a form of abrupt and delayed orders, in hopes of a better discount. This shortened the Group's delivery time and reduced production efficiency. Coupled with new orders brought forth by the market rationalisation and consolidation, the Group's fourth quarter production capacity was also fully occupied, resulting in a turnover growth of 21.9% for the second half year comparing with same period in 2010.

To efficiently accommodate the influx of unstable orders volume and decline selling price due to market condition for the last two quarters, the Group's margin levels for the second half year were notably lower than the interim figures. The delayed procurement schedule from customers also increased the Group's accounts receivable as of the year end, as a majority of invoice due dates were pushed back until early 2012 due to strong orders in the fourth quarter. The Group believes that there is no actual effect on our cash cycle due to the above special circumstances.

Comprehensive and efficient cost control mechanism remained a top priority for the Group in the Year. With approximately 93.9% of sales derived from our core textile operations, the Group responded with a series of proactive measures to stabilise production overheads. Against declining cotton prices, the Group immediately ceased bulk purchasing of raw materials and has refocused its procurement strategy to maintain a prudent cotton inventory of minimising loss against any further price drops. Such endeavour were proven effective with net profit margin maintained at 3.1% in last year.

Major Developments

In early 2008, the Group collaborated with related industry experts to commence investment in a Soalala, Madagascar mining project (the "Project"). To alleviate financial commitment in the Project, the Group disposed of 15.0% from its 20.0% ownership to an independent third party on 31 January 2011. The transaction generated a one-off net gain of approximately HK$12.8 million. The Group currently retains 5.0% interest in the Project as long-term investment. Details of the disposal were set out in the announcement and circular of the Company dated 31 January 2011 and 23 February 2011, respectively.

As at 12 August 2011, the Group obtained a syndicated loan facility of HK$690.0 million for a term of three and a half years from a syndicate of banks at an interest rate of HIBOR plus 2.25% per annum. The loan will be mainly used for refinancing Hong Kong and PRC short-term loans, and to fund the expansion of production facilities in the Group's existing site in Enping, Guangzhou, the PRC when appropriate.

Prospects

The Group aspires to further extend our business footprints in the Asia territory, with focus on the PRC, Korea and Japan markets. The expansion opportunity will effectively minimise the Group's over-reliance on the US and European markets and ultimately hedge our business and currency exchange risks. The Group is also determined to diversify our production capability, expanding our product mix beyond the traditional cotton category. A new fabric printing factory is going to establish in Enping for this specific purpose and will commence its trial production run in the fourth quarter of 2012. Moreover, the Group will appropriately expand our existing Enping production site in accordance with external market demand, so as to elevate our production capacity and to lessen our reliance on subcontractors during peak seasons. Such endeavours are expected to improve the Group's profit and margin in the long-term.

Looking ahead, the overall business outlook will remain challenging for the global textile and garment industry. However, the Group is prepared to meet the challenges and will strive to emerge as a stronger player in the industry. Backed by our comprehensive business scope and scale and high production adaptability, the management is confident in capturing further market share and to achieve sustainable profitability for our shareholders.

FINANCIAL REVIEW

Revenue

Overall sales turnover achieved HK$4,065.4 million, representing an increase of approximately 24.4% in comparison to the previous financial year (2010: HK$3,267.8 million). The growth in revenue is mainly attributable to increases in our product's mix and strong recurring orders from existing and new clients.

Gross Profit and Gross Profit Margin

Gross profit was HK$589.5 million, representing an increase of approximately 15.2% from the previous financial year (2010: HK$511.6 million). Gross profit margin for the Year was stabilised at 14.5%, as a result of general increase in production costs.

Net Profit and Net Profit Margin

Net profit for the year was HK$127.2 million, representing an increase of 21.8% from the previous financial year (2010: HK$104.4 million). Net profit margin for 2011 was maintained at 3.1% in 2010.

Other Income and Expenses

Other income of approximately HK$24.5 million (2010: HK$24.4 million) for the Year mainly comprised HK$15.3 million (2010: HK$15.8 million) from the sales of excess steam generated by the power plant to nearby facilities in the district, as well as the fair value loss of HK$4.7 million (2010: HK$8.6 million) from interest rate swaps and forward currency contracts which are not yet matured. The remaining balance was primarily the results of interest income, rental income and sales of scrap materials.

Selling and distribution costs of HK$111.8 million (2010: HK$99.3 million) for the Year consisted of HK$84.6 million (2010: HK$75.9 million) in shipping and delivery costs, which represented an increase of 11.5% relative to the previous year. Administrative expenses, which included salaries, depreciation and other related expenses increased by HK$33.5 million year-on-year to HK$319.9 million (2010: HK$286.4 million). The increase was due to mainly an opening of Enping Garment factory from the second quarter of 2011.

Finance costs, which mainly included interest on long-term loans from banks, short-term trust receipt loans and finance lease interest, increased by 49.3% to HK$41.5 million (2010: HK$27.8 million) as compared with the previous year as a result of higher interest costs in Hong Kong and the PRC.

Liquidity and Financial Resources

As at 31 December 2011, the Group's net current assets were HK$838.8 million (2010: HK$107.6 million). The increase in net current asset was mainly due to the new syndicated loan from banks, which we have replaced short-term bank loan by using the syndicated loan. 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 2011, the Group had cash and cash equivalents of HK$553.1 million (2010: HK$252.4 million). Current ratio was 1.5 times (2010: 1.1 times).

Total bank and other borrowings of the Group was HK$1,436.9 million (2010: HK$1,113.1 million). The Group's net debt gearing ratio (net debt divided by the sum of equity and net debt) was at a healthy level of 49.9% (2010: 52.9%). Net debt comprises all interest-bearing bank and other borrowings, bank advances for discounted bills, loan from a non-controlling shareholder, loan from a shareholder of an associate, an amount due to an associate, accounts and bills payable, and accrued liabilities and other payables less cash and cash equivalents. Total equity comprises owners' equity as stated in the consolidated financial statement.

Debtors' turnover period, inventory turnover period and creditors' turnover period for the Year was 78.3 days (2010: 63.7 days), 94.4 days (2010: 130.9 days), and 85.4 days (2010: 99.9 days) respectively. The respective increase in debtors' turnover period was mainly due to substantial increase in sales during the fourth quarter. The decrease in inventory and creditors' turnover was attributable to the change of procurement strategy to react on the cotton price movement.

Financing

As at 31 December 2011, the total banking and loan facilities of the Group amounted to HK$3,031.5 million (2010: HK$2,861.0 million), of which HK$1,775.0 million (2010: HK$1,365.3 million) was utilised.

As at 31 December 2011, the Group's long-term loans were HK$752.8 million (2010: HK$263.1 million), comprising syndicated loan and term loans from banks of HK$746.0 million (2010: HK$245.9 million) and long-term finance lease payable of HK$6.8 million (2010: HK$5.2 million). The increase in long-term loans was mainly attributable to the refinancing exercise of syndication loan.

Dividend

The Board has resolved to recommend the payment of a final dividend of HK3.3 cents (2010: HK2.7 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 5 June 2012. Subject to the approval of 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 28 June 2012.

Capital Structure

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

As at 31 December 2011, 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

72.7% (2010: 66.0%) of the Group's sales was denominated in US dollars. The remaining sales were denominated in Hong Kong dollars and Renminbi. The majority of the Group's costs of sales were denominated in US dollars, Hong Kong dollars and Renminbi. The Group is therefore exposed to foreign exchange risk arising from currency exposures, primarily in respect to the Renminbi. The exchange rates of other currencies were relatively stable throughout the Year and immaterial on our cost structure. The management closely monitors the foreign exchange movements and determines the appropriate hedging activities when necessary.

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

Charge of Group's Assets

As at 31 December 2011, certain items of property, plant and equipment of the Group with an aggregate net book value of HK$45.3 million (2010: HK$59.4 million) were under finance leases.

As at 31 December 2011, a short-term loan of US$10.0 million was guaranteed and secured against the Company's interests in an associate with book value of HK$48.8 million (31 December 2010: Nil).

Capital Expenditure

During the Year, the Group invested HK$283.8 million (2010: HK$264.2 million) in capital expenditure of which 62.9% (2010: 87.8%) was used for the purchase of plant and machinery, 12.4% (2010: 5.5%) was used for the acquisition and construction of new factory premises, and the remaining was used for the purchase of other property, plant and equipment, prepaid land lease payments and the capital contribution to an associate.

As at 31 December 2011, the Group had capital commitments of HK$147.2 million (2010: HK$41.1 million) in property, plant and equipment. All are funded or will be funded by internal resources.

Staff Policy

The Group had 6,379 (2010: 6,351) employees in the PRC, 4,192 (2010: 2,344) employees in Madagascar and 180 (2010: 171) employees in Hong Kong, Macau, Singapore and Korea as at 31 December 2011. 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 32.5% (2010: 33.5%) of total sales and sales to the largest customer included therein accounted for 10.7% (2010: 11.9%).

Purchases from the Group's five largest suppliers accounted for 35.4% (2010: 36.9%) of total purchases and purchases from the largest supplier therein accounted for 11.9% (2010: 10.5%).

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 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 91.1% (2010: (Singapore, Taiwan, Hong Kong, the PRC (other than Hong Kong and Macau) and Korea) 93.0%) of total sales of the Group and sales to the largest region (Singapore) included therein accounted for 31.8% (2010: 34.0%) of the Group.

As at 31 December 2011, the Group's assets located in the fabric operation accounted for 96.0% (2010: 91.3%) of the total assets of the Group. Capital expenditure in the fabric operation during the Year accounted for 81.7% (2010: 94.2%) of the total capital expenditure of the Group.

Material Acquisition and Disposal

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 partial interest in the associates, thereby diluting the Group's beneficial interest in the mining project of Soalala. The disposal was completed on 1 February 2011 and the resulting net gain from the disposal was amounted to approximately HK$12.8 million. Details of the disposal were set out in the announcement and circular of the Company dated 31 January 2011 and 23 February 2011, respectively.

There was no material acquisition by the Group during the Year.

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, New Territories, Hong Kong on Tuesday, 5 June 2012 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 Friday, 1 June 2012 to Tuesday, 5 June 2012 (both days inclusive), during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM and to receive the proposed final dividend, all transfer documents accompanied by the relevant share certificates, have to be lodged with the Company's branch share registrar 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 31 May 2012.

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 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, 27 March, 2012