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 2012

FINANCIAL HIGHLIGHTS

- Revenue increased by 0.9% to HK$4,100.2 million
- Gross Profit increased by 13.5% to HK$668.8 million
- Net profit attributable to ordinary equity holders of the Company decreased by 12.0% to HK$100.9 million; excluding the one-off gain on disposal of part of the Group's equity interest in the Madagascar mining project in 2011, the underlying net profit attributable to ordinary equity holders of the Company slightly decreased by approximately 0.9%
- 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 2012 (the "Year"), together with the comparative figures for the year ended 31 December 2011, as follows:

CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2012

	Notes	**2012** **HK$'000**	2011 *HK$'000*
REVENUE	*3, 4*	**4,100,160**	4,065,355
Cost of sales		**(3,431,315)**	(3,475,905)
Gross profit		**668,845**	589,450
Other income and gains, net	*4*	**41,790**	24,468
Selling and distribution expenses		**(146,577)**	(111,751)
Administrative expenses		**(375,408)**	(319,881)
Other operating income/(expenses), net		**(15,182)**	10,195
Gain on disposal of a subsidiary		**–**	12,797
Finance costs		**(43,483)**	(41,526)
Share of profits less losses of a jointly-controlled entity		**(6,146)**	(6,668)
Share of profits less losses of associates		**(1,517)**	(2,500)
PROFIT BEFORE TAX	*5*	**122,322**	154,584
Income tax expense	*6*	**(12,936)**	(27,352)
PROFIT FOR THE YEAR		**109,386**	127,232
Attributable to:			
Ordinary equity holders of the Company		**100,884**	114,587
Non-controlling interests		**8,502**	12,645
		109,386	127,232
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*8*		
Basic		**HK11.6 cents**	HK13.2 cents
Diluted		**HK11.6 cents**	HK13.2 cents

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2012

	2012	2011
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**109,386**	127,232
OTHER COMPREHENSIVE INCOME		
Realisation of exchange reserve upon disposal of subsidiaries	**2,528**	–
Exchange differences on translation of foreign operations	**–**	103,112
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**111,914**	230,344
Attributable to:		
Ordinary equity holders of the Company	**103,412**	215,316
Non-controlling interests	**8,502**	15,028
	111,914	230,344

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,880,299**	1,622,430
Prepaid land lease payments		**69,261**	72,109
Intangible assets		**–**	–
Interest in a jointly-controlled entity		**26,895**	33,041
Interest in an associate		**47,331**	48,848
Prepayment		**7,381**	–
Long term receivable		**15,387**	–
Deposits paid		**26,728**	27,553
Deferred tax assets		**5,835**	5,020
Total non-current assets		**2,079,117**	1,809,001
CURRENT ASSETS			
Inventories		**770,559**	899,011
Accounts and bills receivable	9	**689,124**	872,463
Prepayments, deposits and other receivables		**53,091**	56,124
Equity investment at fair value through profit or loss		**596**	159
Derivative financial instruments		**69**	1,960
Due from a jointly-controlled entity		**36,300**	14,505
Tax recoverable		**2,887**	748
Pledged deposits		**2,174**	121,790
Cash and cash equivalents		**494,648**	553,108
Total current assets		**2,049,448**	2,519,868
CURRENT LIABILITIES			
Accounts and bills payable	10	**561,623**	812,820
Accrued liabilities and other payables		**118,607**	131,529
Derivative financial instruments		**32**	6,614
Loan from a shareholder of an associate		**–**	77,800
Due to an associate		**3,112**	–
Tax payable		**27,580**	46,009
Bank advances for discounted bills	9	**–**	114,783
Interest-bearing bank and other borrowings		**889,580**	491,513
Total current liabilities		**1,600,534**	1,681,068
NET CURRENT ASSETS		**448,914**	838,800
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,528,031**	2,647,801
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**563,165**	752,775
Deferred tax liabilities		**752**	697
Total non-current liabilities		**563,917**	753,472
Net assets		**1,964,114**	1,894,329

	2012	2011
	HK$'000	*HK$'000*
EQUITY		
Equity attributable to ordinary equity holders of the Company		
Issued capital	**86,992**	86,992
Reserves	**1,820,767**	1,746,062
	1,907,759	1,833,054
Non-controlling interests	**56,355**	61,275
Total equity	**1,964,114**	1,894,329

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 ("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 2012. 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 it 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 revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

Other than as further explained below regarding the impact of amendments to HKFRS 7, the adoption of the revised HKFRSs has had no significant financial effect on these financial statements.

The HKFRS 7 Amendments require additional disclosures about financial assets that have been transferred but not derecognised to enable users of the Group's financial statements to understand the relationship of those assets that have not been derecognised with their associated liabilities. In addition, the amendments require disclosures about the entity's continuing involvement in derecognised assets to enable users to evaluate the nature of, and risks associatied with, such involvement.

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, 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 2012

	Fabric *HK$'000*	Garment *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment revenue:				
Revenue from external customers	**3,745,038**	**355,122**	**–**	**4,100,160**
Intersegment revenue	**94,766**	**–**	**–**	**94,766**
	3,839,804	**355,122**	**–**	**4,194,926**
Elimination of intersegment revenue				**(94,766)**
Total revenue				**4,100,160**
Segment profits	**151,674**	**15,125**	**841**	**167,640**
Loss on disposal of subsidiaries	**–**	**(2,528)**	**–**	**(2,528)**
Bank interest income	**8,346**	**10**	**–**	**8,356**
Finance costs	**(43,095)**	**(357)**	**(31)**	**(43,483)**
Share of profits less losses of a jointly-controlled entity	**(6,146)**	**–**	**–**	**(6,146)**
Share of profits less losses of an associate	**–**	**–**	**(1,517)**	**(1,517)**
Profit/(loss) before tax	**110,779**	**12,250**	**(707)**	**122,322**
Income tax expense	**(12,677)**	**(139)**	**(120)**	**(12,936)**
Profit/(loss) for the year	**98,102**	**12,111**	**(827)**	**109,386**
Assets and liabilities				
Segment assets	**3,881,864**	**163,043**	**3,597**	**4,048,504**
Interest in a jointly-controlled entity	**26,895**	**–**	**–**	**26,895**
Interest in an associate	**–**	**–**	**47,331**	**47,331**
Deferred tax assets	**5,835**	**–**	**–**	**5,835**
Total assets	**3,914,594**	**163,043**	**50,928**	**4,128,565**
Segment liabilities	**2,140,129**	**19,876**	**3,694**	**2,163,699**
Deferred tax liabilities	**752**	**–**	**–**	**752**
Total liabilities	**2,140,881**	**19,876**	**3,694**	**2,164,451**
Other segment information:				
Depreciation and amortisation	**227,982**	**3,873**	**7**	**231,862**
Loss on disposal of items of property, plant and equipment	**45**	**4**	**–**	**49**
Impairment of accounts receivable	**17,880**	**–**	**–**	**17,880**
Write-off of accounts receivable	**154**	**–**	**–**	**154**
Write-back of impairment allowance for accounts receivable	**(459)**	**–**	**–**	**(459)**
Capital expenditure*	**501,030**	**3,612**	**6**	**504,648**

* Capital expenditure consists of additions of property, plant and equipment during the year ended 31 December 2012.

Year ended 31 December 2011

	Fabric *HK$'000*	Garment *HK$'000*	Others *HK$'000*	Total *HK$'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	169,827	16,913	369	187,109
Gain on disposal of a subsidiary	–	–	12,797	12,797
Bank interest income	5,348	24	–	5,372
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)
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
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
Interest in an associate	–	–	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.

Geographical information

(a) Revenue from external customers

	2012	2011
	HK$'000	*HK$'000*
Singapore	**1,273,757**	1,291,971
Hong Kong	**819,934**	744,520
Korea	**721,656**	755,169
Mainland China	**388,011**	561,896
Taiwan	**274,773**	351,493
Others	**622,029**	360,306
	4,100,160	4,065,355

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

(b) Non-current assets

	2012	2011
	HK$'000	*HK$'000*
Mainland China	**1,959,721**	1,691,550
Hong Kong	**92,669**	91,940
Madagascar	**4,789**	19,755
Singapore	**192**	75
Others	**524**	661
	2,057,895	1,803,981

The non-current assets information above is based on the location of assets and excludes financial instruments and deferred tax assets.

Information about a major customer

During the year ended 31 December 2012, the revenue from the Group's largest customer amounted to less than 10% of the Group's total revenue.

During the year ended 31 December 2011, revenue of approximately HK$434,407,000 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	2012 HK$'000	2011 HK$'000
Revenue			
Production and sale of knitted fabric, dyed yarn and provision of related subcontracting services		**3,745,038**	3,816,115
Production and sale of garment products and provision of related subcontracting services		**355,122**	249,240
		4,100,160	4,065,355
Other income			
Fee income from freight handling services		**6,019**	4,830
Bank interest income		**8,356**	5,372
Gross rental income		**255**	497
Others		**20,217**	19,571
		34,847	30,270
Gains, net			
Fair value gains/(losses), net:			
Equity investment at fair value through profit or loss – held for trading	*5*	**437**	(448)
Derivative financial instruments – transactions not qualified as hedges but matured during the year	*5*	**6,469**	(700)
Derivative financial instruments – transactions not qualified as hedges and not yet matured	*5*	**37**	(4,654)
		6,943	(5,802)
Other income and gains, net		**41,790**	24,468

5. PROFIT BEFORE TAX

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

	2012 *HK$'000*	2011 *HK$'000*
Cost of inventories sold and services provided	**3,431,315**	3,475,905
Research and development costs	**6,900**	6,301
Depreciation of items of property, plant and equipment	**230,030**	207,266
Amortisation of prepaid land lease payments	**1,832**	1,728
Employee benefits expense (excluding directors' remuneration):		
Wages and salaries	**397,733**	342,930
Pension scheme contributions	**22,742**	19,081
	420,475	362,011
Minimum lease payments under operating leases in respect of land and buildings	**8,759**	7,241
Loss/(gain) on disposal of items of property, plant and equipment*	**49**	(89)
Impairment of accounts receivable*	**17,880**	3,142
Write-off of accounts receivable*	**154**	416
Write-back of impairment allowance for accounts receivable*	**(459)**	(1,900)
Impairment of inventories	**–**	31,883
Loss on disposal of subsidiaries*	**2,528**	–
Fair value losses/(gains), net:		
Equity investment at fair value through profit or loss – held for trading	**(437)**	448
Derivative financial instruments – transactions not qualified as hedges but matured during the year	**(6,469)**	700
Derivative financial instruments – transactions not qualified as hedges and not yet matured	**(37)**	4,654
Foreign exchange differences, net*	**(5,291)**	(11,769)
Subsidy income from the People's Republic of China (the "PRC") government	**(1,709)**	(2,381)

* These amounts are included in "Other operating income/(expenses), net" on the face of the consolidated income statement.

The cost of inventories sold and services provided includes depreciation and staff costs of HK$504,049,000 (2011: HK$442,927,000), which are also included in the respective total amounts disclosed separately above, and nil impairment of inventories (2011: HK$31,883,000).

The research and development costs include depreciation and staff costs of HK$5,855,000 for the year ended 31 December 2012 (2011: HK$5,505,000), which are also included in the respective total amounts disclosed separately above.

At 31 December 2012, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2011: Nil).

6. INCOME TAX

	Group	
	2012	2011
	HK$'000	*HK$'000*
Current tax – Hong Kong		
Charge for the year	**8,796**	13,060
Overprovision in prior years	**(1,359)**	(2,229)
Current tax – Elsewhere		
Charge for the year	**6,227**	18,297
Underprovision in prior years	**32**	56
Deferred tax credit	**(760)**	(1,832)
Total tax charge for the year	**12,936**	27,352

Hong Kong profits tax has been provided on the estimated assessable profits arising in Hong Kong at the rate of 16.5% (2011: 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.

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, En Ping Kam Hing Textile and Dyeing Co. Ltd. ("En Ping KH") and En Ping Kam Lap Textile and Dyeing Co., Ltd ("En Ping KL"), two PRC subsidiaries of the Company, were entitled to a 50% reduction in corporate income tax in the PRC. The applicable tax rate of En Ping KH, and En Ping KL, after the 50% reduction, was 12.5%.

7. DIVIDEND

The proposed final dividend for the year of HK2.7 cents (2011: HK3.3 cents) per ordinary share, in aggregate of approximately HK$23.5 million (2011: approximately HK$28.7 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$100,884,000 (2011: HK$114,587,000), and the number of 869,919,000 (2011: weighted average of 869,917,904) ordinary shares in issue during the year.

No adjustment has been made to the basic earnings per share amount presented for the year ended 31 December 2012 in respect of a dilution as the share options outstanding had no dilutive effect on the basic earnings per share amount presented.

For the year ended 31 December 2011, 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. The weighted average number of ordinary shares used in the calculation is the weighted average number of ordinary shares in issue during the year ended 31 December 2011, 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:

	2012	2011
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the Company	**100,884**	114,587

	Number of shares	
	2012	2011
Shares		
Number (2011: weighted average number) of ordinary shares in issue during the year used in the basic earnings per share calculation	**869,919,000**	869,917,904
Effect of dilution – weighted average number of ordinary shares: Share options	**N/A**	7,863
	869,919,000	869,925,767

9. ACCOUNTS AND BILLS RECEIVABLE

	Group	
	2012	2011
	HK$'000	*HK$'000*
Accounts and bills receivable	**712,214**	878,604
Impairment	**(23,090)**	(6,141)
	689,124	872,463

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	
	2012	2011
	HK$'000	*HK$'000*
Within 1 month	**256,066**	336,470
1 to 2 months	**230,993**	231,916
Over 2 months	**202,065**	304,077
	689,124	872,463

Included in the above accounts and bills receivable as at 31 December 2012, nil (2011: HK$114,783,000) 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	
	2012	2011
	HK$'000	*HK$'000*
Within 3 months	**499,108**	702,965
3 to 6 months	**58,828**	106,749
Over 6 months	**3,687**	3,106
	561,623	812,820

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

BUSINESS REVIEW

According to China Customs statistics, China's aggregate textile and garment export value from January to November 2012 was approximately US$230.8 billion, representing a mere growth of 2.1% (January to November 2011: 21.2%). The poor export situation was mainly attributable to a slow market recovery in the United States and the European Union, which ultimately affected consumer sentiment during the Year. With the overseas operating environment yet to show signs of significant improvement, dampened demand hence made 2012 a difficult operating year for Chinese textile and garment industry. Nonetheless, anchored by our operational flexibility and sizable production scale, the Group persevered against all odds and successfully reinforced our prominent position within the market, garnering considerable gains in market share during the Year.

For the year ended 31 December 2012, the Group's overall revenue increased by approximately 0.9% to HK$4,100.2 million (2011: HK$4,065.4 million). Gross profit increased by approximately 13.5% to HK$668.8 million (2011: HK$589.5 million), whilst net profit attributable to ordinary equity holders of the Company amounted to HK$100.9 million, representing a decrease of approximately 12.0% from the previous year (2011: HK$114.6 million). Excluding the one-off gain of HK$12.8 million in relation to the disposal of part of our equity interest in the Madagascar mining project in 2011, the underlying net profit attributable to ordinary equity holders of the Company's core textile and garment business just slightly decreased by approximately 0.9% as compared to the previous corresponding year.

The Group's regional sales for the year ended 31 December 2012 achieved a satisfactory performance, with Hong Kong and Bangladesh registering modest growth rates of 10.1% and 76.0%, respectively. To diversify the Group's operational risks in the long term, strategic venture into new geographic markets, such as Russia with the growth rate of 204.8%, was also initiated during the Year and have made notable progress.

In comparison to 2011, the price of cotton yarn has reduced significantly and remained at a relatively stable level during the Year. This hence triggered a downward adjustment in the overall average selling price ("ASP") of textile and garment products. To alleviate the decline in ASP, the Group has since facilitated aggressive sales and marketing strategies to promote our timely delivery of quality and tailored services to our customers worldwide. This was a proven success and has subsequently expanded our order volume thus compensating the ASP effect and sustaining our revenue performance for the Year.

Effective cost control mechanisms were implemented at all levels during the Year, which included the automation of production lines and prudent inventory management. Moreover, increases in order volume has led to economies of scale and effectively averaged down production overheads. Such factors have contributed to the Group's gross profit margin improvement from 14.5% last year to 16.3%. Net profit margin declined to 2.7% from 2.8% last year (excluding the one-off gain on disposal amounting to approximately HK$12.8 million in 2011) and it was mainly attributable to increases in selling and distribution costs and bank charges, salary and staff welfare in PRC as well as other administrative expenses associated with an enlarged order volume handled during the Year.

KEY DEVELOPMENTS

The Group strongly believes that in a time of distress, greater emphasis on innovation and new product development are crucial in maintaining one's competitiveness. Identifying the market's demand for high end functional fabrics, namely the versatile polyester cotton blend, the Group has expedited the construction of a new printing and synthetic fiber factory in Enping, the PRC by the second quarter of 2013. The new facility aims to widen the Group's bargaining power and profit margin in the foreseeable future. With an ample order book on hand, an immediate profit contribution from the new product line is expected.

The new facility aims to strengthen the Group's capability as a one-stop fabric solutions provider and will further reduce our reliance on subcontractors. Such endeavours will bring significant cost savings and will extend the Group's revenue and margins in the long run. In accordance to the external market demand, the Group hopes to further expand its existing Enping production site to encompass the development of other fabric related products in the future, thus further enhancing our production capabilities.

PROSPECT

Looking ahead, the Board believes the textile and garment industry will continue to undergo an extended consolidation process. With focus on driving our core textile business forward, the Group will remain adamant in elevating its competitiveness and production capability in the long run. Automation and cost saving efforts through machine upgrades will continue to be implemented at all levels whilst stringent inventory management will be enforced. Such endeavours will hence ensure a healthy financial position for the Group's future development.

With a clear expansion and development strategy in place and supported by our strong balance sheet to explore other value enhancing business prospects, the Group is confident that its business model is well positioned to benefit from the on-going market rationalisation and will continue to achieve sustainable profitability for our shareholders in the long run.

FINANCIAL REVIEW

Revenue

Overall sales turnover achieved HK$4,100.2 million, representing an increase of approximately 0.9% as compared with the previous corresponding year (2011: HK$4,065.4 million). The modest growth in revenue is mainly attributable to increase in sales orders from the Hong Kong and Bangladesh markets. The Group has also successfully secured new orders during the Year.

Gross Profit and Gross Profit Margin

Gross profit was HK$668.8 million, representing an increase of approximately 13.5% from the previous corresponding year (2011: HK$589.5 million). Gross profit margin improved to 16.3% from 14.5% last year and the increase was mainly attributable to greater economies of scale.

Net Profit and Net Profit Margin

Net profit for the Year was HK$109.4 million, representing a decrease of 14.0% from the previous corresponding year (2011: HK$127.2 million). Net profit attributable to ordinary equity holders of the Company amounted to HK$100.9 million, representing a decrease of approximately 12.0% from the previous year (2011: HK$114.6 million). Excluding the one-off gain of HK$12.8 million in relation to the disposal of part of our equity interest in the Madagascar mining project in 2011, the underlying net profit attributable to ordinary equity holders of the Company's core textile and garment business just slightly decreased by approximately 0.9% as compared to the previous corresponding year. Net profit margin declined to 2.7% from 3.1% last year.

Other Income and Expenses

Other income of approximately HK$41.8 million (2011: HK$24.5 million) mainly comprised HK$10.8 million (2011: HK$15.3 million) from the sales of excess steam generated by the power plant to nearby facilities in the district, as well as the fair value gain of HK$6.5 million (2011: fair value loss of HK$5.4 million) from interest rate swaps and forward currency contract during the Year. The remaining balance was primarily the result of interest income, rental income and sales of scrap materials.

Selling and distribution expenses of HK$146.6 million (2011: HK$111.8 million) consisted of HK$114.3 million (2011: HK$84.6 million) in shipping and delivery costs, which represented an increase of 35.1% relative to the previous corresponding year. The increase was mainly attributable to higher logistics costs incurred from an expanded production volume. Administrative expenses, which included salaries, depreciation and other related expenses increased to HK$375.4 million (2011: HK$319.9 million) and was mainly due to increases in bank charges, salary and staff welfare in PRC as well as other administrative expenses due to the increased production volume.

Finance costs, which included interest on long-term loans from banks, short-term trust receipt loans and finance lease, increased by 4.8% to HK$43.5 million (2011: HK$41.5 million) as compared with the previous corresponding year. This is mainly attributable to increases in interest expenses incurred by finance lease in new machines and syndicated loan.

Liquidity and Financial Resources

As at 31 December 2012, the Group's net current assets were HK$448.9 million (2011: HK$838.8 million). 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 2012, the Group had cash and cash equivalents of HK$494.6 million (2011: HK$553.1 million). Current ratio was 1.3 times (2011: 1.5 times).

As at 31 December 2012, total bank and other borrowings of the Group were HK$1,452.7 million (2011: HK$1,436.9 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 46.2% (2011: 49.9%). Net debt comprises all interest-bearing bank and other borrowings, accounts and bills payable, an amount due to an associate and accrued liabilities and other payables less cash and cash equivalents. Equity comprises owners' equity as stated in the consolidated financial statements.

Debtors' turnover period, inventory turnover period and creditors' turnover period for the Year was 61.5 days (2011: 78.3 days), 82.2 days (2011: 94.4 days), and 59.9 days (2011: 85.4 days) respectively. The respective decrease in debtors' turnover period was mainly due to better control on accounts receivable and decrease in inventory and creditors' turnover period was mainly attributable to the procurement strategy to react on the cotton price movement.

Financing

As at 31 December 2012, the total banking and loan facilities of the Group amounted to HK$4,094.9 million (2011: HK$3,031.5 million), of which HK$1,717.3 million (2011: HK$1,775.0 million) was utilised.

As at 31 December 2012, the Group's long-term loans were HK$563.2 million (2011: HK$752.8 million), comprising syndicated loan and term loans from banks of HK$538.2 million (2011: HK$746.0 million) and long-term finance lease payable of HK$24.9 million (2011: HK$6.8 million). The decrease in long-term loans was mainly because of the reclassification of part of the term loans from non-current liabilities to current liabilities during the Year.

Dividend

The Board has resolved to recommend the payment of a final dividend of HK2.7 cents (2011: HK3.3 cents) per share for the year ended 31 December 2012 which will be payable to shareholders whose names appear on the register of members of the Company on 14 June 2013. 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 27 June 2013.

Capital Structure

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

As at 31 December 2012, 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

75.5% (2011: 72.7%) 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 has employed necessary hedging instruments in a prudent and professional manner.

Charge of Group's Assets

As at 31 December 2012, certain items of property, plant and equipment of the Group with an aggregate net book value of HK$91.3 million (2011: HK$45.3 million) were under finance leases.

As at 31 December 2012, a short-term loan of US$10.0 million (equivalent to approximately HK$77.8 million) was guaranteed and secured against the Company's interest in an associate with book value of HK$47.3 million (2011: HK$48.8 million). The loan has been fully repaid during the year ended 31 December 2012. As at 31 December 2012, the Group is in the process of applying the release of the guarantee and security against the Company's interest in an associate.

Capital Expenditure

For the year ended 31 December 2012, the Group invested HK$504.6 million (2011: HK$283.8 million) in capital expenditure of which 92.1% (2011: 62.9%) was used for the purchase of plant and machinery, 6.0% (2011: 12.4%) was used for the acquisition and construction of new factory premises, and the remaining was used for the purchase of other property, plant and equipment.

As at 31 December 2012, the Group had capital commitments of HK$71.4 million (2011: HK$147.2 million) in property, plant and equipment. All are funded or will be funded by internal resources.

Staff Policy

The Group had 5,948 (2011: 6,379) employees in the PRC, 2,224 (2011: 4,192) employees in Madagascar and 183 (2011: 180) employees in Hong Kong, Macau, Singapore and Korea as at 31 December 2012. 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 ended 31 December 2012, sales to the Group's five largest customers accounted for 30.1% (2011: 32.5%) of total sales and sales to the largest customer included therein accounted for 9.5% (2011: 10.7%).

Purchases from the Group's five largest suppliers accounted for 31.9% (2011: 35.4%) of total purchases and purchases from the largest supplier therein accounted for 10.2% (2011: 11.9%).

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, to the best knowledge of the Directors, 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 ended 31 December 2012, sales to the five largest regions (Singapore, Taiwan, Hong Kong, the PRC (other than Hong Kong and Macau) and Korea) accounted for 84.8% (2011: (Singapore, Taiwan, Hong Kong, the PRC (other than Hong Kong and Macau) and Korea) 91.1%) of total sales of the Group and sales to the largest region (Singapore) included therein accounted for 31.1% (2011: 31.8%) of the Group.

As at 31 December 2012, the Group's assets located in the fabric operation accounted for 94.8% (2011: 96.0%) of the total assets of the Group. Capital expenditure in the fabric operation during the Year accounted for 99.3% (2011: 81.7%) of the total capital expenditure of the Group.

Material Acquisition and Disposal

On 1 October 2012, the Group entered into the disposal agreement with an 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 100% interest in subsidiaries of Quick Grow Investments Limited ("Quick Grow") and Quick Grow's subsidiary, Kam Hing Madagascar S.A.R.L, at a consideration of HK$14.8 million. The disposal was completed on 1 October 2012.

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 or about Monday, 3 June 2013 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 during the following periods:

a. from Thursday, 30 May 2013 to Monday, 3 June 2013 (both days inclusive), for the purpose of ascertaining shareholders' entitlement to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, 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 Wednesday, 29 May 2013; and

b. from Thursday, 13 June 2013 to Friday, 14 June 2013 (both days inclusive), for the purpose of ascertaining shareholders' entitlement to the purposed final dividend. In order to be eligible 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 Tuesday, 11 June 2013.

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 Corporate Governance Code 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, 2013