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 2013

FINANCIAL HIGHLIGHTS

- Revenue decreased by approximately 4.3% to approximately HK$3,922.6 million
- Gross profit decreased by approximately 2.7% to approximately HK$650.5 million
- Net profit for the year decreased by approximately 5.2% to approximately HK$103.7 million
- Proposed final dividend of HK2.5 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 2013 (the "Year"), together with the comparative figures for the year ended 31 December 2012, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
REVENUE	4	**3,922,625**	4,100,160
Cost of sales		**(3,272,134)**	(3,431,315)
Gross profit		**650,491**	668,845
Other income and gains, net	4	**31,072**	41,790
Selling and distribution expenses		**(122,486)**	(146,577)
Administrative expenses		**(350,479)**	(375,408)
Other operating expenses, net		**(17,573)**	(15,182)
Finance costs		**(61,675)**	(43,483)
Share of profits less losses of a joint venture		**(5,268)**	(6,146)
Share of profits less losses of an associate		**(544)**	(1,517)
PROFIT BEFORE TAX	5	**123,538**	122,322
Income tax expense	6	**(19,821)**	(12,936)
PROFIT FOR THE YEAR		**103,717**	109,386
Attributable to:			
Ordinary equity holders of the Company		**91,699**	100,884
Non-controlling interests		**12,018**	8,502
		103,717	109,386
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic		**HK10.5 cents**	HK11.6 cents
Diluted		**N/A**	N/A

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
PROFIT FOR THE YEAR	**103,717**	109,386
OTHER COMPREHENSIVE INCOME/(EXPENSES)		
Other comprehensive income/(expenses) to be reclassified to profit or loss in subsequent periods:		
Realisation of exchange reserve upon disposal of subsidiaries	**–**	2,528
Realisation of exchange reserve upon deregistration of subsidiaries	**(355)**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**103,362**	111,914
Attributable to:		
Ordinary equity holders of the Company	**91,344**	103,412
Non-controlling interests	**12,018**	8,502
	103,362	111,914

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**2,022,956**	1,880,299
Prepaid land lease payments		**67,438**	69,261
Intangible assets		**–**	–
Interest in a joint venture		**21,627**	26,895
Interest in an associate		**46,787**	47,331
Prepayment		**8,500**	7,381
Long term receivable		**15,848**	15,387
Deposits paid		**36,445**	26,728
Deferred tax assets		**5,835**	5,835
Total non-current assets		**2,225,436**	2,079,117
CURRENT ASSETS			
Inventories		**932,545**	770,559
Accounts and bills receivable	*9*	**650,165**	689,124
Prepayments, deposits and other receivables		**82,107**	53,091
Equity investment at fair value through profit or loss		**385**	596
Derivative financial instruments		**471**	69
Due from a joint venture		**2,647**	36,300
Tax recoverable		**1,321**	2,887
Pledged deposits		**–**	2,174
Cash and cash equivalents		**554,879**	494,648
Total current assets		**2,224,520**	2,049,448
CURRENT LIABILITIES			
Accounts and bills payable	*10*	**556,303**	561,623
Accrued liabilities and other payables		**124,703**	118,607
Derivative financial instruments		**129**	32
Due to an associate		**3,095**	3,112
Tax payable		**29,620**	27,580
Interest-bearing bank and other borrowings		**575,748**	889,580
Total current liabilities		**1,289,598**	1,600,534
NET CURRENT ASSETS		**934,922**	448,914
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,160,358**	2,528,031

	2013	2012
	HK$'000	*HK$'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**1,137,518**	563,165
Deferred tax liabilities	**902**	752
Total non-current liabilities	**1,138,420**	563,917
Net assets	**2,021,938**	1,964,114
EQUITY		
Equity attributable to ordinary equity holders of the Company		
Issued capital	**86,992**	86,992
Reserves	**1,879,739**	1,820,767
	1,966,731	1,907,759
Non-controlling interests	**55,207**	56,355
Total equity	**2,021,938**	1,964,114

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 2013. 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 on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. 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 statement of profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2. CHANGES IN ACCOUNTING POLICIES 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 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets* (early adopted)
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

Other than as further explained below regarding the impact of HKFRS 12, HKFRS 13, amendments to HKFRS 10, HKFRS 11, HKFRS 12, HKAS 1 and HKAS 36, and certain amendments included in *Annual Improvements 2009-2011 Cycle*, the adoption of the 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) HKFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities. Details of the disclosures for subsidiaries, a joint venture and an associate are included in notes to the financial statements.

(b) The HKFRS 10, HKFRS 11 and HKFRS 12 Amendments clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time.

(c) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended. Additional disclosures required by HKFRS 13 for the fair value measurements of financial instruments are included in notes to the financial statements.

(d) The HKAS 1 Amendments change the grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. In addition, the Group has chosen to use the new title "statement of profit or loss" as introduced by the amendments in these financial statements.

(e) The HKAS 36 Amendments remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided HKFRS 13 is also applied. The Group has early adopted the amendments in these financial statements. The amendments have had no impact on the financial position or performance of the Group.

(f) *Annual Improvements 2009-2011 Cycle* issued in June 2012 sets out amendments to a number of standards. 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 have had a significant financial impact on 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, 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 2013

	Fabric	Garment	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:				
Revenue from external customers	**3,833,774**	**88,851**	**–**	**3,922,625**
Intersegment revenue	**4,118**	**–**	**–**	**4,118**
	3,837,892	**88,851**	**–**	**3,926,743**
Elimination of intersegment revenue				**(4,118)**
Total revenue				**3,922,625**
Segment profits/(loss)	**198,717**	**(11,053)**	**558**	**188,222**
Gain on deregistration of subsidiaries	**–**	**–**	**355**	**355**
Bank interest income	**2,443**	**5**	**–**	**2,448**
Finance costs	**(61,573)**	**(102)**	**–**	**(61,675)**
Share of profits less losses of a joint venture	**(5,268)**	**–**	**–**	**(5,268)**
Share of profits less losses of an associate	**–**	**–**	**(544)**	**(544)**
Profit/(loss) before tax	**134,319**	**(11,150)**	**369**	**123,538**
Income tax expense	**(19,708)**	**(14)**	**(99)**	**(19,821)**
Profit/(loss) for the year	**114,611**	**(11,164)**	**270**	**103,717**
Assets and liabilities				
Segment assets	**4,361,722**	**10,302**	**3,683**	**4,375,707**
Interest in a joint venture	**21,627**	**–**	**–**	**21,627**
Interest in an associate	**–**	**–**	**46,787**	**46,787**
Deferred tax assets	**5,835**	**–**	**–**	**5,835**
Total assets	**4,389,184**	**10,302**	**50,470**	**4,449,956**
Segment liabilities	**2,421,946**	**722**	**4,448**	**2,427,116**
Deferred tax liabilities	**902**	**–**	**–**	**902**
Total liabilities	**2,422,848**	**722**	**4,448**	**2,428,018**
Other segment information:				
Depreciation and amortisation	**257,460**	**1,962**	**3**	**259,425**
Loss on disposal of items of property, plant and equipment	**125**	**4,961**	**–**	**5,086**
Impairment of accounts receivable	**6,736**	**–**	**177**	**6,913**
Write-off of accounts receivable	**–**	**63**	**–**	**63**
Write-back of impairment allowance for accounts receivable	**(2,456)**	**–**	**–**	**(2,456)**
Impairment of other receivable	**4,054**	**–**	**–**	**4,054**
Capital expenditure*	**414,285**	**38**	**–**	**414,323**

* Capital expenditure consists of additions of property, plant and equipment during the year ended 31 December 2013.

Year ended 31 December 2012

	Fabric	Garment	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'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 joint venture	(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 joint venture	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.

Geographical information

(a) Revenue from external customers

	2013	2012
	HK$'000	*HK$'000*
Singapore	**1,012,936**	1,273,757
Korea	**727,581**	721,656
Hong Kong	**721,393**	819,934
Taiwan	**375,806**	274,773
Mainland China	**373,505**	388,011
Others	**711,404**	622,029
	3,922,625	4,100,160

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

(b) Non-current assets

	2013	2012
	HK$'000	*HK$'000*
Mainland China	**2,113,371**	1,959,721
Hong Kong	**89,404**	92,669
Madagascar	**–**	4,789
Singapore	**139**	192
Others	**839**	524
	2,203,753	2,057,895

The non-current assets information above is based on the location of the assets and excludes long term receivable and deferred tax assets.

Information about a major customer

During the years ended 31 December 2013 and 2012, the revenue from the Group's largest customer amounted to less than 10% of the Group's total revenue.

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	**2013**	2012
		HK$'000	*HK$'000*
Revenue			
Production and sale of knitted fabric, dyed yarn and provision of related subcontracting services		**3,833,774**	3,745,038
Production and sale of garment products and provision of related subcontracting services		**88,851**	355,122
		3,922,625	4,100,160
Other income			
Fee income from freight handling services		**8,354**	6,019
Bank interest income		**2,448**	8,356
Gross rental income		**504**	255
Subsidy income from the People's Republic of China (the "PRC") government	*5*	**6,289**	1,709
Others		**12,050**	18,508
		29,645	34,847
Gains, net			
Fair value gains/(losses), net:			
Equity investment at fair value through profit or loss – held for trading	*5*	**(211)**	437
Derivative financial instruments – transactions not qualified as hedges but matured during the year	*5*	**1,297**	6,469
Derivative financial instruments – transactions not qualified as hedges and not yet matured	*5*	**341**	37
		1,427	6,943
Other income and gains, net		**31,072**	41,790

5. PROFIT BEFORE TAX

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

	2013	2012
	HK$'000	*HK$'000*
Cost of inventories sold and services provided	**3,272,134**	3,431,315
Research and development costs	**6,899**	6,900
Depreciation of items of property, plant and equipment	**257,602**	230,030
Amortisation of prepaid land lease payments	**1,823**	1,832
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	**375,268**	397,733
Pension scheme contributions	**30,044**	22,742
	405,312	420,475
Minimum lease payments under operating leases in respect of land and buildings	**8,830**	8,759
Loss on disposal of items of property, plant and equipment*	**5,086**	49
Impairment of accounts receivable*	**6,913**	17,880
Write-off of accounts receivable*	**63**	154
Write-back of impairment allowance for accounts receivable*	**(2,456)**	(459)
Impairment of other receivable*/**	**4,054**	–
Loss on disposal of subsidiaries*	**–**	2,528
Gain on deregistration of subsidiaries*	**(355)**	–
Fair value losses/(gains), net:		
Equity investment at fair value through profit or loss – held for trading	**211**	(437)
Derivative financial instruments – transactions not qualified as hedges but matured during the year	**(1,297)**	(6,469)
Derivative financial instruments – transactions not qualified as hedges and not yet matured	**(341)**	(37)
Foreign exchange differences, net*	**4,232**	(5,291)
Subsidy income from the PRC government	**(6,289)**	(1,709)

* These amounts are included in "Other operating expenses, net" on the face of the consolidated statement of profit or loss.

** Included in above impairment allowance for other receivable is an allowance for other receivable of HK$4,054,000 with a carrying amount of HK$4,054,000 before impairment allowance.

The cost of inventories sold and services provided includes depreciation and staff costs of HK$516,758,000 (2012: HK$504,049,000), which are also included in the respective total amounts disclosed separately above.

The research and development costs include depreciation and staff costs of HK$6,090,000 for the year ended 31 December 2013 (2012: HK$5,855,000), which are also included in the respective total amounts disclosed separately above.

At 31 December 2013, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2012: Nil).

6. INCOME TAX

	Group	
	2013	2012
	HK$'000	*HK$'000*
Current tax – Hong Kong		
Charge for the year	**11,547**	8,796
Overprovision in prior years	**(1,597)**	(1,359)
Current tax – Elsewhere		
Charge for the year	**11,116**	6,227
Underprovision/(overprovision) in prior years	**(1,395)**	32
Deferred tax expense/(credit)	**150**	(760)
Total tax charge for the year	**19,821**	12,936

Hong Kong profits tax has been provided on the estimated assessable profits arising in Hong Kong at the rate of 16.5% (2012: 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 ended 31 December 2012, 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 HK2.5 cents (2012: HK2.7 cents) per ordinary share, in aggregate of approximately HK$21.7 million (2012: approximately HK$23.5 million), is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. These financial statements do not reflect the final dividend payable.

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$91,699,000 (2012: HK$100,884,000), and the number of 869,919,000 (2012: 869,919,000) ordinary shares 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. The weighted average number of ordinary shares used in the calculation is the weighted average 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.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2013 and 2012 in respect of a dilution as the share options outstanding had no dilutive effect on the basic earnings per share amount presented.

9. ACCOUNTS AND BILLS RECEIVABLE

	Group	
	2013	2012
	HK$'000	*HK$'000*
Accounts and bills receivable	**671,584**	712,214
Impairment	**(21,419)**	(23,090)
	650,165	689,124

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 five 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	
	2013	2012
	HK$'000	*HK$'000*
Within 1 month	**276,323**	256,066
1 to 2 months	**176,568**	230,993
Over 2 months	**197,274**	202,065
	650,165	689,124

Included in the above impairment allowance for accounts and bills receivable is an allowance for individually impaired accounts receivable in aggregate of HK$21,419,000 (2012: HK$23,090,000) with a carrying amount before impairment allowance in aggregate of HK$21,419,000 (2012: HK$39,945,000). The individually impaired accounts receivable relate to customers that were in default or delinquency in payments.

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	
	2013	2012
	HK$'000	*HK$'000*
Within 3 months	**483,938**	499,108
3 to 6 months	**69,456**	58,828
Over 6 months	**2,909**	3,687
	556,303	561,623

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

BUSINESS REVIEW

Regardless of the bustling trades in the first half of 2013, the textile and garment industry of China has recorded a noticeable slowdown during the second half, due to the instability of the United States ("U.S.") economic recovery. According to the U.S. Bureau of Economic Analysis, the gross domestic products growth in 2013 was approximately 1.9%, weaker than the approximately 2.8% in 2012. Growth was held back by higher taxes, federal spending cuts and government shutdown in the second half of the Year which dragged consumer sentiment. The latest Chinese Customs statistics also show that the export value of textile and garments products had a year-on-year growth of approximately 12.1% during the first half of 2013, but decelerated to approximately 10.9% during the second half because of inventory buildup in the U.S. On the other hand, the continued inflating labour costs have imposed pressure on overall production costs in China. Domestic manufacturers have been striving to maintain their competitiveness and profitability.

Despite facing the above unfavourable external conditions, the Group persisted through hard times by constantly improving internally. During the Year, we have elevated our competitiveness by investing in product extension, effective cost control and client diversification in preparation of the upcoming opportunities and challenges from the recovering U.S. market. At the end of 2013, the U.S. economy recorded a sign of economic recovery, which might hopefully pick up the consumption momentum in 2014. As one of the leading textile and garment manufacturers, we believe our business fundamentals have positioned us well to seize the business opportunities in 2014.

For the Year, the Group's overall revenue decreased slightly by approximately 4.3% to approximately HK$3,922.6 million (2012: approximately HK$4,100.2 million) while gross profit margin increased to approximately 16.6% from approximately 16.3% last year and net profit margin maintained at approximately 2.6% after effective cost control during the Year. Profit for the Year decreased by approximately 5.2% to approximately HK$103.7 million (2012: approximately HK$109.4 million). For the Year, profit attributable to ordinary shareholders amounted to approximately HK$91.7 million (2012: approximately HK$100.9 million) and earnings per share is HK10.5 cents (2012: HK11.6 cents).

Textile manufacturing remained as the principal operation of the Group in 2013, and the U.S. remains our major market for the ultimate destination of our goods. Even though orders from the U.S. had been volatile during the Year, the machinery upgrade completed a year earlier and newly-implemented machines enabled the Group to manufacture high-end products, which successfully raised the average selling price of our products and stabilised our revenue and profit margin. However, our garment operation in Madagascar suffered from the lasting political uncertainty in the country. Overseas buyers were reluctant to place orders in the country to avoid political risks. This resulted in a significant revenue decline of approximately 75% in the garment segment and adversely affected the Group's overall income. To mitigate the impact and maintain business relationship with our customers, the Group has been providing solutions to our customers with our global outsourcing and trading capability. The Group is assessing the political and market environment in Madagascar, and has adopted precautionary measures to alleviate the impact in the long run.

The Group's regional sales for the Year achieved satisfactory performance, with Russia, Taiwan and Bangladesh recording growth rates of approximately 131.7%, 36.8% and 28.3% respectively. As a measure to diversify geographic exposure and reduce reliance on the U.S. market, the Group has been exploring new business opportunities around the world, with an eye on new high-growth markets like Japan.

Facing the weak market conditions in 2013, the Group remained adamant in improving our internal efficiency and has cut back on our expenses to remain financially healthy. Cost control mechanisms, such as machinery upgrade, automation and streamlining of operations, were implemented in the past two years to further enhance the Group's production efficiency and profitability. During the Year, our selling expenses had a year-on-year decrease of approximately 16.4%. Administrative expenses were trimmed by approximately

6.6% as compared with the previous year. The increase in finance costs of approximately 41.8% was mainly attributable to our refinancing exercise during the Year which shortened the amortisation period of our loan financial fee incurred in 2011 from 3.5 years to 2 years and thus increased the amortisation due to early repayment. Our prudent financial management will help the Group persevere through tough times; whereas the machinery upgrade and automation will equip the Group in securing orders with better profit margins in the future.

KEY DEVELOPMENTS

To diversify our product mix in the long run, the research and development of high-end functional fabrics continued to be our mission and mandate in 2013. The Group's newly established fabric printing facility with enhancement for the development of synthetic fiber in Enping, China has commenced production in July 2013 to serve mainly the Asian market, where high-end functional fabrics are in enormous demand. We are building long-term relationship with customers in Japan and working on product customisation for different customers. This venture has contributed decent revenue to the Group in this early operational phase. More significant revenue contribution from this new business line is expected to be reflected in the coming year.

Seeing the prospect of our Enping plant as the future growth driver of the Group, on 1 April 2013 the Group acquired an additional 8% equity interest in its non-wholly owned subsidiary, Kam Wing International Textile Company Limited which holds the Group's fabric factory in Enping, China. With our shareholding increased to 68%, the Group is positive that our profitability will be further enhanced.

On 6 August 2013, the Group obtained a syndicated loan facility of HK$1.0 billion for a term of 3.5 years at an interest rate of HIBOR plus 2.5% per annum. The loan was mainly used for refinancing previous syndicated loan of HK$690.0 million and to fund the expansion of facilities in the Group's existing production complex in Enping, China. The continuous support from bankers has proven the recognition of the Group's vision and development plan in the capital market.

PROSPECT

Facing the restoring U.S. economy, the Group is cautiously optimistic on the market outlook of 2014. To elevate our competitiveness amongst peers as a one-stop textile manufacturer, we are keen on strengthening the textile revenue contribution by producing high-end products. The commencement of the newly developed fabric printing and synthetic fiber business will also enhance our production capability, bringing substantial synergy to our traditional textile manufacturing business. At the same time, we would also maintain adequate cost control measures to achieve greater productivity and higher margins. With two thirds of the land resource in Enping yet to be developed, the Group has plenty of room for future expansion and we will develop the land into a scalable, integrated textile production base when appropriate. The lasting political uncertainty in Madagascar has a material adverse effect on our garment business. Should this unfavourable environment persist, we will consider deploying our resources to and strengthen our other growing and profitable business.

With all these sustainable developments, the Group is mindfully ambitious in elevating our capacity to become an integrated one-stop fabric solutions provider and resultantly create prominent return for shareholders.

FINANCIAL REVIEW

Revenue

Overall sales turnover achieved approximately HK$3,922.6 million, representing a decrease of approximately 4.3% as compared with last year (2012: approximately HK$4,100.2 million). Whilst revenue from the textile segment remained stable, growth was offset by a substantial revenue decrease from the garment segment caused by the political uncertainty in Madagascar.

Gross Profit and Gross Profit Margin

Gross profit was approximately HK$650.5 million, representing a decrease of approximately 2.7% from last year (2012: approximately HK$668.8 million). Gross profit margin was maintained at approximately 16.6% (2012: approximately 16.3%) and is mainly attributable to product mix enhancement during the Year.

Net Profit and Net Profit Margin

Net profit for the Year was approximately HK$103.7 million, representing a decrease of approximately 5.2% from last year (2012: approximately HK$109.4 million). Net profit attributable to ordinary equity holders of the Company amounted to approximately HK$91.7 million, representing a decrease of approximately 9.1% from last year (2012: approximately HK$100.9 million). Net profit margin is stabilised at approximately 2.6% (2012: approximately 2.7%).

Other Income and Expenses

Other income of approximately HK$31.1 million (2012: approximately HK$41.8 million) mainly comprised approximately HK$9.1 million (2012: approximately HK$10.8 million) from the sales of excess steam generated by the power plant to nearby facilities in the district, as well as the fair value gain of approximately HK$1.6 million (2012: fair value gain of approximately HK$6.5 million) from forward currency contracts 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 approximately HK$122.5 million (2012: approximately HK$146.6 million) consisted approximately HK$99.1 million (2012: approximately HK$114.3 million) in shipping and delivery costs, which represented a decrease of approximately 13.3% from last year. Administrative expenses, which included salaries, depreciation and other related expenses also decreased to approximately HK$350.5 million (2012: approximately HK$375.4 million). Both expenses decreased primarily due to the result of effective cost control.

Finance costs, which included interest on long-term loans from banks, short-term loans and finance lease, increased by approximately 41.8% to approximately HK$61.7 million (2012: approximately HK$43.5 million) as compared to last year. The increase was mainly due to the acceleration of the amortisation of the loan financial fee in 2011 as a result of our refinancing exercise during the Year.

Liquidity and Financial Resources

As at 31 December 2013, the Group's net current assets were approximately HK$934.9 million (2012: approximately HK$448.9 million). The increase in net current assets was mainly due to the availability of the new syndicated loan in August 2013, the majority of which was used to replace the previous syndicated loan in 2011. 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 2013, the Group had cash and cash equivalents of approximately HK$554.9 million (2012: approximately HK$494.6 million). Current ratio was approximately 1.7 times (2012: approximately 1.3 times).

As at 31 December 2013, total bank and other borrowings of the Group were approximately HK$1,713.3 million (2012: approximately HK$1,452.7 million). The Group's net debt gearing ratio (i.e. net debt divided by the sum of equity and net debt) was at a healthy level of approximately 48.4% (2012: approximately 46.2%). Net debt comprises all interest-bearing bank and other borrowings, accounts and bills payable, amount due to an associate and accrued liabilities and other payables less cash and cash equivalents. Total equity comprises owners' equity as stated in the consolidated financial statements.

Debtors' turnover period, inventory turnover period and creditors' turnover period for the Year were approximately 60.5 days (2012: approximately 61.5 days), approximately 104.0 days (2012: approximately 82.2 days), and approximately 62.1 days (2012: approximately 59.9 days) respectively. The increase in inventory turnover period was mainly attributable to increase in storage of yarn due to competitive pricing.

Financing

As at 31 December 2013, the total banking and loan facilities of the Group amounted to approximately HK$5,173.5 million (2012: approximately HK$4,094.9 million), of which approximately HK$1,963.4 million (2012: approximately HK$1,717.3 million) was utilised.

As at 31 December 2013, the Group's long-term loans were approximately HK$1,137.5 million (2012: approximately HK$563.2 million), comprising syndicated loan and term loans from banks of approximately HK$1,128.2 million (2012: approximately HK$538.2 million) and long-term finance lease payable of approximately HK$9.3 million (2012: approximately HK$24.9 million). The increase in long-term loan was attributable to the syndicated loan facility of HK$1.0 billion for a term of 3.5 years at an interest rate of HIBOR plus 2.5% per annum obtained during the Year.

Dividend

The Board has resolved to recommend the payment of a final dividend of HK2.5 cents (2012: HK2.7 cents) per share for the Year which will be payable to the shareholders whose names appear on the register of members of the Company on 16 June 2014. 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 30 June 2014.

Capital Structure

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

As at 31 December 2013, 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

Approximately 75.8% (2012: approximately 75.5%) of the Group's sales were denominated in United States dollars. The remaining sales were denominated in Hong Kong dollars and Renminbi. The majority of the Group's costs of sales were denominated in United States 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 employ necessary hedging instruments in a prudent and professional manner.

Charge of Group's Assets

As at 31 December 2013, certain items of property, plant and equipment of the Group with an aggregate net book value of approximately HK$63.0 million (2012: approximately HK$91.3 million) were under finance leases.

Capital Expenditure

During the Year, the Group invested approximately HK$414.3 million (2012: approximately HK$504.6 million) in capital expenditure of which approximately 94.1% (2012: approximately 92.1%) was used for the purchase of plant and machinery, approximately 1.2% (2012: approximately 6.0%) 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 2013, the Group had capital commitments of approximately HK$68.9 million (2012: approximately HK$71.4 million) in property, plant and equipment. All are funded or will be funded by internal resources.

Staff Policy

The Group had 5,828 (2012: 8,172) employees in the PRC and Madagascar and 173 (2012: 183) employees in Hong Kong, Macau, Singapore and Korea as at 31 December 2013. The decrease in staff number is mainly due to the scale down of our Madagascar operation and a result of our cost control measure. 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

During the Year, sales to the Group's five largest customers accounted for approximately 30.7% (2012: approximately 30.1%) of total sales and sales to the largest customer included therein accounted for approximately 8.8% (2012: approximately 9.5%).

During the Year, purchases from the Group's five largest suppliers accounted for approximately 35.9% (2012: approximately 31.9%) of total purchases and purchases from the largest supplier included therein accounted for approximately 11.7% (2012: approximately 10.2%).

None of the Directors, their respective associates (as defined in The Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange")) or shareholders of the Company who, to the best knowledge of the Directors, own more than 5% the issued capital of the Company had any interest in the Group's five largest customers and/or suppliers during the Year.

Segment Information

During the Year, sales to the five largest regions (Singapore, Taiwan, Hong Kong, the PRC (other than Hong Kong and Macau) and Korea) accounted for approximately 81.9% (2012: approximately 84.8%) of total sales of the Group and sales to the largest region (Singapore) included therein accounted for approximately 25.8% (2012: approximately 31.1%) of the Group.

As at 31 December 2013, the Group's assets located in the fabric operation accounted for approximately 98.6% (2012: approximately 94.8%) of the total assets of the Group. Capital expenditure in the fabric operation during the Year accounted for approximately 99.9% (2012: approximately 99.3%) of the total capital expenditure of the Group.

Material Acquisition and Disposal

On 1 April 2013, the Group acquired a further 8% equity interest in its non-wholly owned subsidiary, Kam Wing International Textile Company Limited, at a cash consideration of HK$20 million. Such acquisition did not constitute a connected or discloseable transaction of the Company within the meaning of the Listing Rules.

Save as disclosed above, there was no material acquisition and disposal 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, 9 June 2014 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) For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 5 June 2014 to Monday, 9 June 2014, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of shares of the Company should ensure that all transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of Hong Kong, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong (which will be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014) for registration no later than 4:30 p.m. on Wednesday, 4 June 2014.

(b) For determining the entitlement to the proposed final dividend for the Year (subject to approval by the shareholders at the annual general meeting), the register of members of the Company will be closed from Friday, 13 June 2014 to Monday, 16 June 2014, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible for the above proposed final dividend, unregistered holders of shares of the Company should ensure that all transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of Hong Kong, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong (which will be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014) for registration no later than 4:30 p.m. on Thursday, 12 June 2014.

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 Board comprises 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 as executive Directors; Mr. Chan Yuk Tong, Jimmy, Ms. Chu Hak Ha, Mimi and Mr. Ho Cilbert Chi Hang as independent non-executive Directors.

By order of the Board
Kam Hing International Holdings Limited
Tai Chin Chun
Chairman

Hong Kong, 25 March, 2014