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 2014

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 1.6% to approximately HK$3,985.7 million
- Gross profit decreased by approximately 11.9% to approximately HK$573.3 million
- Net profit for the year attributable to ordinary equity holders of the Company decreased by approximately 11.6% to approximately HK$81.1 million
- Proposed final dividend of HK1.3 cents per share

The board (the "Board") of directors (the "Directors") of Kam Hing International Holdings Limited (the "Company") is pleased to announce the annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2014 (the "Year"), together with the comparative figures for the year ended 31 December 2013, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
REVENUE	*4*	**3,985,699**	3,922,625
Cost of sales		**(3,412,403)**	(3,272,134)
Gross profit		**573,296**	650,491
Other income and gains, net	*4*	**24,203**	31,072
Selling and distribution expenses		**(109,456)**	(122,486)
Administrative expenses		**(314,570)**	(350,479)
Other operating expenses, net		**(13,930)**	(17,573)
Gain on disposal of a joint venture		**10,306**	–
Finance costs		**(56,745)**	(61,675)
Share of profits less losses of a joint venture		**(1,697)**	(5,268)
Share of profits less losses of an associate		**(4,635)**	(544)
PROFIT BEFORE TAX	*5*	**106,772**	123,538
Income tax expense	*6*	**(24,255)**	(19,821)
PROFIT FOR THE YEAR		**82,517**	103,717
Attributable to:			
Ordinary equity holders of the Company		**81,055**	91,699
Non-controlling interests		**1,462**	12,018
		82,517	103,717
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*8*		
Basic		**HK9.3 cents**	HK10.5 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 2014

	2014	2013
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**82,517**	103,717
OTHER COMPREHENSIVE EXPENSES		
Other comprehensive expenses to be reclassified to profit or loss in subsequent periods:		
Realisation of exchange reserve upon deregistration of subsidiaries	–	(355)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**82,517**	103,362
Attributable to:		
Ordinary equity holders of the Company	**81,055**	91,344
Non-controlling interests	**1,462**	12,018
	82,517	103,362

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**2,106,533**	2,022,956
Prepaid land lease payments		**65,615**	67,438
Intangible assets		**–**	–
Interest in a joint venture		**–**	21,627
Interest in an associate		**42,152**	46,787
Prepayments		**14,271**	8,500
Long term receivables		**29,324**	15,848
Deposits paid		**32,863**	36,445
Deferred tax assets		**8,931**	5,835
Total non-current assets		**2,299,689**	2,225,436
CURRENT ASSETS			
Inventories		**960,942**	932,545
Accounts and bills receivable	9	**821,046**	650,165
Prepayments, deposits and other receivables		**80,902**	82,107
Equity investment at fair value through profit or loss		**301**	385
Derivative financial instruments		**–**	471
Due from a joint venture		**–**	2,647
Tax recoverable		**5,772**	1,321
Pledged deposits		**11,319**	–
Cash and cash equivalents		**487,283**	554,879
Total current assets		**2,367,565**	2,224,520
CURRENT LIABILITIES			
Accounts and bills payable	10	**612,358**	556,303
Accrued liabilities and other payables		**165,034**	124,703
Derivative financial instruments		**3,569**	129
Due to an associate		**3,102**	3,095
Tax payable		**29,409**	29,620
Interest-bearing bank and other borrowings		**952,069**	575,748
Total current liabilities		**1,765,541**	1,289,598
NET CURRENT ASSETS		**602,024**	934,922
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,901,713**	3,160,358

	2014	2013
	HK$'000	*HK$'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**827,842**	1,137,518
Deferred tax liabilities	**175**	902
Total non-current liabilities	**828,017**	1,138,420
Net assets	**2,073,696**	2,021,938
EQUITY		
Equity attributable to ordinary equity holders of the Company		
Issued capital	**86,992**	86,992
Reserves	**1,939,046**	1,879,739
	2,026,038	1,966,731
Non-controlling interests	**47,658**	55,207
Total equity	**2,073,696**	2,021,938

Notes:

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements 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 2014. 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. 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 revised standards and new interpretation for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	*Investment Entities*
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*
Amendment to HKFRS 2 included in *Annual Improvements 2010-2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to HKFRS 3 included in *Annual Improvements 2010-2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to HKFRS 13 included in *Annual Improvements 2010-2012 Cycle*	*Short-term Receivables and Payables*
Amendment to HKFRS 1 included in *Annual Improvements 2011-2013 Cycle*	*Meaning of Effective HKFRSs*

[1] Effective from 1 July 2014

The adoption of the above revised standards and interpretation has had no significant financial effect on these financial statements.

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 and 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 the provision of air and ocean freight services and mining.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax.

Intersegment revenue and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Year ended 31 December 2014

	Fabric *HK$'000*	Garment *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment revenue:				
Revenue from external customers	3,985,194	505	–	3,985,699
Segment profits/(loss)	160,693	(3,661)	678	157,710
Bank interest income	1,829	4	–	1,833
Finance costs	(56,745)	–	–	(56,745)
Gain on disposal of a joint venture	10,306	–	–	10,306
Share of profits less losses of a joint venture	(1,697)	–	–	(1,697)
Share of profits less losses of an associate	–	–	(4,635)	(4,635)
Profit/(loss) before tax	114,386	(3,657)	(3,957)	106,772
Income tax expense	(24,071)	(83)	(101)	(24,255)
Profit/(loss) for the year	90,315	(3,740)	(4,058)	82,517
Assets and liabilities				
Segment assets	4,608,756	3,159	4,256	4,616,171
Interest in an associate	–	–	42,152	42,152
Deferred tax assets	8,931	–	–	8,931
Total assets	4,617,687	3,159	46,408	4,667,254
Segment liabilities	2,588,621	342	4,420	2,593,383
Deferred tax liabilities	175	–	–	175
Total liabilities	2,588,796	342	4,420	2,593,558
Other segment information:				
Depreciation and amortisation	302,087	56	4	302,147
Loss on disposal of items of property, plant and equipment	1,062	–	–	1,062
Impairment of accounts receivable	5,758	103	–	5,861
Write-back of impairment allowance for accounts receivable	(3,375)	–	(142)	(3,517)
Impairment of a deposit and other receivables	4,638	73	114	4,825
Capital expenditure	403,139	–	–	403,139

Year ended 31 December 2013

	Fabric *HK$'000*	Garment *HK$'000*	Others *HK$'000*	Total *HK$'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

Geographical information

(a) Revenue from external customers

	2014	2013
	HK$'000	*HK$'000*
Singapore	**793,541**	1,012,936
Korea	**777,135**	727,581
Hong Kong	**726,663**	721,393
Mainland China	**634,951**	373,505
Taiwan	**423,696**	375,806
Others	**629,713**	711,404
	3,985,699	3,922,625

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

(b) Non-current assets

	2014	2013
	HK$'000	*HK$'000*
Mainland China	**2,122,196**	2,113,371
Hong Kong	**138,481**	89,404
Singapore	**114**	139
Others	**643**	839
	2,261,434	2,203,753

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

Information about a major customer

During the years ended 31 December 2014 and 2013, 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	**2014** **HK$'000**	2013 HK$'000
Revenue			
Production and sale of knitted fabric and dyed yarn and provision of related subcontracting services		**3,985,194**	3,833,774
Production and sale of garment products and provision of related subcontracting services		**505**	88,851
		3,985,699	3,922,625
Other income			
Fee income from freight handling services		**8,254**	8,354
Bank interest income		**1,833**	2,448
Gross rental income		**409**	504
Subsidy income from the People's Republic of China (the "PRC") government	5	**1,075**	6,289
Others		**16,947**	12,050
		28,518	29,645
Gains, net			
Fair value gains/(losses), net:			
Equity investment at fair value through profit or loss – held for trading	5	**(84)**	(211)
Derivative financial instruments – transactions not qualified as hedges but matured during the year	5	**(662)**	1,297
Derivative financial instruments – transactions not qualified as hedges and not yet matured	5	**(3,569)**	341
		(4,315)	1,427
Other income and gains, net		**24,203**	31,072

5. PROFIT BEFORE TAX

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

	2014 *HK$'000*	2013 *HK$'000*
Cost of inventories sold and services provided	**3,412,403**	3,272,134
Research and development costs	**12,835**	6,899
Depreciation of items of property, plant and equipment	**300,324**	257,602
Amortisation of prepaid land lease payments	**1,823**	1,823
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	**405,416**	375,268
Pension scheme contributions	**46,528**	30,044
	451,944	405,312
Minimum lease payments under operating leases in respect of land and buildings	**10,317**	8,830
Loss on disposal of items of property, plant and equipment*	**1,062**	5,086
Impairment of accounts receivable*	**5,861**	6,913
Write-off of accounts receivable*	**–**	63
Write-back of impairment allowance for accounts receivable*	**(3,517)**	(2,456)
Impairment of a deposit and other receivables*/**	**4,825**	4,054
Gain on deregistration of subsidiaries*	**–**	(355)
Gain on disposal of a joint venture	**(10,306)**	–
Fair value losses/(gains), net:		
Equity investment at fair value through profit or loss – held for trading	**84**	211
Derivative financial instruments – transactions not qualified as hedges but matured during the year	**662**	(1,297)
Derivative financial instruments – transactions not qualified as hedges and not yet matured	**3,569**	(341)
Foreign exchange differences, net*	**4,962**	4,232
Subsidy income from the PRC government***	**(1,075)**	(6,289)

* 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 a deposit and other receivables is an allowance for a deposit and other receivables of HK$4,825,000 (2013: HK$4,054,000) with a carrying amount of HK$4,825,000 (2013: HK$4,054,000) before impairment allowance. The impaired deposit and other receivables were not expected to be recovered.

*** There are no unfulfilled conditions or contingencies relating to these grants.

The cost of inventories sold and services provided includes depreciation and staff costs of HK$617,739,000 (2013: HK$516,758,000), which are also included in the respective total amounts disclosed separately above.

The research and development costs include depreciation and staff costs of HK$11,358,000 for the year ended 31 December 2014 (2013: HK$6,090,000), which are also included in the respective total amounts disclosed separately above.

At 31 December 2014, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2013: Nil).

6. INCOME TAX

	Group 2014 HK$'000	2013 HK$'000
Current tax – Hong Kong		
Charge for the year	**7,874**	11,547
Underprovision/(overprovision) in prior years	**831**	(1,597)
Current tax – Elsewhere		
Charge for the year	**16,383**	11,116
Underprovision/(overprovision) in prior years	**2,990**	(1,395)
Deferred tax expense/(credit)	**(3,823)**	150
Total tax charge for the year	**24,255**	19,821

Hong Kong profits tax has been provided on the estimated assessable profits arising in Hong Kong at the rate of 16.5% (2013: 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.

7. DIVIDEND

The proposed final dividend for the year of HK1.3 cents (2013: HK2.5 cents) per ordinary share, in aggregate of approximately HK$11.3 million (2013: approximately HK$21.7 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 the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK$81,055,000 (2013: HK$91,699,000), and the weighted average number of 869,919,000 (2013: 869,919,000) ordinary shares in issue during the year.

The calculation of the 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 2014 and 2013 in respect of a dilution as the share options outstanding had no dilutive effect on the basic earnings per share amounts presented.

9. ACCOUNTS AND BILLS RECEIVABLE

	Group	
	2014	2013
	HK$'000	*HK$'000*
Accounts and bills receivable	**841,923**	671,584
Impairment	**(20,877)**	(21,419)
	821,046	650,165

The Group's trading terms with its customers are generally on credit with terms of up to three months and are non-interest-bearing (except for certain well-established customers with strong financial strength, good repayment history and creditworthiness, where the credit terms are extended to six 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	
	2014	2013
	HK$'000	*HK$'000*
Within 1 month	**341,559**	276,323
1 to 2 months	**212,465**	176,568
2 to 3 months	**147,852**	116,683
Over 3 months	**119,170**	80,591
	821,046	650,165

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 the invoice date, is as follows:

	Group	
	2014	2013
	HK$'000	*HK$'000*
Within 3 months	**502,592**	483,938
3 to 6 months	**105,981**	69,456
Over 6 months	**3,785**	2,909
	612,358	556,303

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

BUSINESS REVIEW

The United States (the "U.S."), being the Group's major end market, continued its slow walk on the path to economic recovery for the year ended 31 December 2014 (the "Year"). The gross domestic products ("GDP") of the U.S. grew at a moderate rate of 2.4% in 2014, comparing with 2.2% in 2013; whilst the unemployment rate in the U.S. recorded a new low of 5.6% in December 2014 according to official statistics. In spite of these encouraging figures, the consumer confidence in the U.S. remained fragile and unstable. The Year started with an unusually severe winter in North America, which hurt the economy, consumer sentiment as well as the order placement from the U.S. buyers. However, after that setback, the economy experienced a rebound over the next three quarters and ended the Year with a burst in consumer spending in the festive seasons. This resulted in another unpredictable year for the Chinese garment and textile market. Under such backdrop, the Group continued to enhance its competitiveness by transforming into a one-stop fabric solutions provider, so as to diversify its client mix to reduce the reliance on the U.S. market. This was encouraging as the Group's endeavors for years started to pay off in 2014 and recorded a set of satisfactory results.

For the Year, the Group's overall revenue increased slightly by approximately 1.6% to approximately HK$3,985.7 million (2013: approximately HK$3,922.6 million) despite that the Group ceased most of its garment manufacturing operation during the Year. Gross profit dropped by approximately 11.9% due to increase in salaries and the manufacturing overheads while net profit margin slightly dropped by 0.5 percentage point to approximately 2.1%. Profit for the Year decreased by approximately 20.4% to approximately HK$82.5 million (2013: approximately HK$103.7 million). For the Year, profit attributable to ordinary equity holders of the Company decreased by approximately 11.6% to approximately HK$81.1 million (2013: approximately HK$91.7 million) and basic earnings per share was HK9.3 cents (2013: HK10.5 cents).

Textile manufacturing was the principal operation of the Group in 2014 and priority was given to product extension and enhancement to functional fabrics. In July 2013, the trial operation of printed fabrics with synthetic fiber commenced in the Group's manufacturing plant in Enping, China (the "Enping Plant") and launched its brand new functional fabric products to the market, of which, several special functional fabrics are currently under trademark registration. The new technologies helped the Group to develop tailor-made products for its customers and differentiate itself from its peers. The capability to manufacture various types of functional and printed fabrics also allowed the Group to offer one-stop textile solutions to customers. In just a year's time, a number of global brand name customers and their garment manufacturers have endorsed the product quality and the capability of the new facilities after rounds of visits. Considerable amounts of orders were placed to the Group after the first half of 2014, allowing the new facilities to operate with satisfactory capacity. Driven by the orders placed by new customers, the overall output of the Group increased significantly in the second half of the Year. However, the increase was offset by the decrease in average selling prices of traditional products, which were adversely affected by the drop of global cotton price. Further, the ramp-up period of the new facilities imposed additional production costs due to un-optimised order flow and efficiency in the first half of 2014.

As a measure to alleviate its dependence on the traditional U.S. market and the related seasonality impact, the Group has been diversifying its customer mix by further penetrating into other countries outside the U.S.. In 2014, the Group made a breakthrough and successfully built trusted business relationships with a number of new customers in Japan, China and Europe, including multinational casual wear and fast fashion brands. Shipments to these new customers contributed significant sales to the Group, reducing the revenue contribution from end customers in the U.S.. Setting its sights on the fast-growing global market for functional fabrics, the Group will continue to dedicate efforts in extending the applications of its product technology and attaining high-end customers in the Asian market, particularly in Japan and China.

PROSPECTS

In January 2015, the unemployment rate of the U.S. sustained at the same low level at 5.7% as it has since the third quarter of 2014; while Michigan Consumer Sentiment has reached an 11-year high of 98.1. As both encouraging market statistics signal that the U.S. economy is on the track towards recovery, the Group is thus optimistic about the global market outlook of 2015. While the U.S. will remain its major export market, the Group will devote efforts in further diversifying its end market mix. The quality of the Group's functional fabrics and its timely product delivery have been affirmed by its established business relationship with multinational casual wear and fast fashion brands in the Year. With proven capabilities, the Group will strive to seek business cooperation with new customers, favourably global fast fashion and sportswear conglomerates to acquire high-margin bulk orders and achieve economies of scale as well as higher efficiency of its production facilities.

The Group's production facilities for printed fabrics in Enping ramped up quickly and this new business line continued to improve in 2014. While the Group's order book for the first half of 2015 is solid, its priority for 2015 is to enhance the overall efficiency of the production facilities by better production scheduling, wastage reduction and further automation. At the same time, the Group will continue to implement internal control mechanisms, such as machinery upgrade, as well as prudent financial management for the sustainable development of the Group.

Standing to benefit from the proposed Trans-Pacific Partnership trade agreements, the Group is examining the possibility of partnering with other manufacturers in Vietnam in order to take advantage of the favourable trading terms and export arrangements to the U.S., Europe and ASEAN countries. The Group is determined to elevate its competitiveness in all aspects to become a leading integrated fabric solutions provider and create greater values for its shareholders.

FINANCIAL REVIEW

Revenue

Overall sales turnover achieved approximately HK$3,985.7 million, representing an increase of approximately 1.6% as compared with last year (2013: approximately HK$3,922.6 million). Despite the revenue from the garment segment continued to drop in 2014, the new and large textile orders acquired during the Year was able to offset the negative impact and contributed to the increase in revenue.

Gross Profit and Gross Profit Margin

Gross profit was approximately HK$573.3 million, representing a decrease of approximately 11.9% from last year (2013: approximately HK$650.5 million). Gross profit margin decreased to approximately 14.4% (2013: approximately 16.6%), which was mainly attributable to the increase in salaries and the manufacturing overheads incurred during the ramp-up period of the Group's new production facilities in Enping.

Net Profit and Net Profit Margin

Net profit for the Year was approximately HK$82.5 million, representing a decrease of approximately 20.4% from last year (2013: approximately HK$103.7 million). The decrease was a result of the decrease in gross profit. Net profit margin stabilised at approximately 2.1% (2013: approximately 2.6%). Net profit attributable to ordinary equity holders of the Company amounted to approximately HK$81.1 million, representing an decrease of approximately 11.6% from last year (2013: approximately HK$91.7 million). The decrease was mainly attributable to the decrease in gross profit.

Other Income and Expenses

Other income of approximately HK$24.2 million (2013: approximately HK$31.1 million) mainly comprised approximately HK$13.0 million (2013: approximately HK$9.1 million) from the sales of excess steam generated by the power plant to nearby facilities in the district, however offset by the fair value loss of approximately HK$4.2 million (2013: fair value gain of approximately HK$1.6 million) from forward currency contracts during the Year. The remaining balance was primarily the freight income, interest income, rental income and sales of scrap materials.

Selling and distribution expenses of approximately HK$109.5 million (2013: approximately HK$122.5 million) consisted of approximately HK$85.1 million (2013: approximately HK$99.1 million) in shipping and delivery costs, which represented a decrease of 14.1% relative to last year. Administrative expenses, which included salaries and other related expenses, reduced to approximately HK$314.6 million (2013: approximately HK$350.5 million). It was mainly attributable to the stringent cost control on each level in administrative expenses.

Finance costs, which included interest on long-term loans from banks and short-term trust receipt loans and finance lease interests, decreased by approximately 8.0% to approximately HK$56.7 million (2013: approximately HK$61.7 million) as compared with last year. It was caused by decrease in amortisation of bank charge resulted from refinancing exercise of syndicated loan in 2013.

Liquidity and Financial Resources

As at 31 December 2014, the Group's net current assets were approximately HK$602.0 million (2013: approximately HK$934.9 million). The decrease in net current asset was mainly due to reclassification of the first repayment of syndicated loan in August 2015 to current liabilities. The Group will constantly review its financial position, and improve the gearing ratio in order to maintain a healthy financial position by financing its operations from internally generated resources and long-term bank loans. As at 31 December 2014, the Group had cash and cash equivalents of approximately HK$487.3 million (2013: approximately HK$554.9 million). Current ratio was approximately 1.3 times (2013: approximately 1.7 times).

As at 31 December 2014, total bank and other borrowings of the Group were approximately HK$1,779.9 million (2013: approximately HK$1,713.3 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 50.6% (2013: approximately 48.4%). 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 75.2 days (2013: approximately 60.5 days), approximately 102.8 days (2013: approximately 104.0 days) and approximately 65.5 days (2013: approximately 62.1 days) respectively. The increase in debtors' turnover period was mainly due to increase of sales in quarter four 2014.

Financing

As at 31 December 2014, the total banking and loan facilities of the Group amounted to approximately HK$6,707.3 million (2013: approximately HK$5,173.5 million), of which approximately HK$2,061.4 million (2013: approximately HK$1,963.4 million) was utilised.

As at 31 December 2014, the Group's long-term loans were approximately HK$827.8 million (2013: approximately HK$1,137.5 million), comprising syndicated loan and term loans from banks of approximately HK$827.7 million (2013: approximately HK$1,128.2 million) and long-term finance lease payable of approximately HK$0.1 million (2013: approximately HK$9.3 million). The decrease in long-term loan was attributable to reclassification of the first repayment of the syndicated loan in August 2015 to current liabilities.

Dividend

The Board has resolved to recommend the payment of a final dividend of HK1.3 cents (2013: HK2.5 cents) per share for the Year which will be payable to shareholders whose names appear on the register of members of the Company on 22 June 2015. 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 6 July 2015.

Capital Structure

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

As at 31 December 2014, 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 66.7% (2013: approximately 75.8%) of the Group's sales were denominated in US dollars. The remaining sales were denominated in Hong Kong dollars and Renminbi. The majority of the Group's 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 2014, certain items of property, plant and equipment of the Group with an aggregate net book value of approximately HK$55.3 million (2013: approximately HK$63.0 million) were under finance leases.

Capital Expenditure

During the Year, the Group invested approximately HK$403.1 million (2013: approximately HK$414.3 million) in capital expenditure of which approximately 75.0% (2013: approximately 94.1%) was used for the purchase of plant and machinery, approximately 22.1% (2013: approximately 1.2%) was used for the acquisition and construction of new factory premises and new head office, and the remaining was used for the purchase of other property, plant and equipment.

As at 31 December 2014, the Group had capital commitments of approximately HK$58.8 million (2013: approximately HK$43.9 million) in property, plant and equipment which were funded or will be funded by internal resources and bank borrowings.

Staff Policy

The Group had 6,021 (2013: 5,828) employees in the PRC and Madagascar, and 170 (2013: 173) employees in Hong Kong, Macau, Singapore and Korea as at 31 December 2014. 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 benefit 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 28.3% (2013: approximately 30.7%) of total sales and sales to the largest customer included therein accounted for approximately 8.4% (2013: approximately 8.8%).

During the Year, purchases from the Group's five largest suppliers accounted for approximately 39.9% (2013: approximately 35.9%) of total purchases and purchases from the largest supplier therein accounted for approximately 11.5% (2013: approximately 11.7%).

None of the Directors, their close 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% 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

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 84.2% (2013: (Singapore, Taiwan, Hong Kong, the PRC (other than Hong Kong and Macau) and Korea) approximately 81.9%) of total sales of the Group and sales to the largest region (Singapore) included therein accounted for approximately 19.9% (2013: approximately 25.8%) of the Group.

As at 31 December 2014, the Group's assets located in the fabric operation accounted for approximately 98.9% (2013: approximately 98.6%) of the total assets of the Group. Capital expenditure in the fabric operation during the Year accounted for 100% (2013: approximately 99.9%) of the total capital expenditure of the Group.

Material Acquisitions and Disposal

On 21 August 2014,the Group disposed of its 25% equity interest in Honghu Xing Ye Textile Co Ltd. (the "Joint Venture") for a cash consideration of RMB26.0 million (equivalent to approximately HK$32.5 million). The gain on the disposal was approximately HK$10.3 million.

On 18 November 2014, the Group entered into provisional agreements to purchase car parking spaces on the 1st Floor of TML Tower, No. 3 Hoi Shing Road, Tsuen Wan, New Territories at a cash consideration of HK$5.6 million. The car parking spaces will be used for the Group's ordinary business.

On 1 December 2014, the Group entered into the agreement to acquire a property on 23rd Floor, TML Tower, No. 3 Hoi Shing Road, Tsuen Wan, New Territories at a cash consideration of approximately HK$71.1 million. The Group intends to use the property as its head office and principal place of business in Hong Kong and the existing head office in Hong Kong at Lucida Industrial Building will be sold or leased after removal in future.

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, 15 June 2015. Notice of AGM 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, 11 June 2015 to Monday, 15 June 2015, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 10 June 2015.

(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, 19 June 2015 to Monday, 22 June 2015, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible for the 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 18 June 2015.

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 Gilbert Chi Hang as independent non-executive Directors.

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

Hong Kong, 27 March, 2015