ANNUAL REPORT 2012

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

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Tai Chin Chun *(Chairman)*
Mr. Tai Chin Wen *(Chief Executive Officer)*
Ms. Cheung So Wan
Ms. Wong Siu Yuk
Mr. Chong Chau Lam
Mr. Wong Wai Kong, Elmen

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Yuk Tong, Jimmy
Ms. Chu Hak Ha, Mimi
Mr. Ho Gilbert Chi Hang

COMPANY SECRETARY

Mr. Lei Heong Man, Ben

AUDITORS

Ernst & Young
Certified Public Accountants

REGISTERED OFFICE

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

COMPANY WEBSITE

www.kamhingintl.com

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Lucida Industrial Building
43-47 Wang Lung Street
Tsuen Wan, New Territories
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Australia and New Zealand Banking Group Limited
China CITIC Bank International Limited
Standard Chartered Bank (Hong Kong) Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

HSBC Trustee (Cayman) Limited
P.O. Box 484
HSBC House
68 West Bay Road
Grand Cayman KY1-1106
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

STOCK CODE

The Stock Exchange of Hong Kong Limited: 02307
CUSIP Reference Number: G5213T101

FINANCIAL HIGHLIGHTS AND SUMMARY

KEY FINANCIAL DATA

	For the year ended/As at 31 December				
	2008 HK$'000	2009 HK$'000	2010 HK$'000	2011 HK$'000	**2012** **HK$'000**
Revenue	2,586,617	2,523,245	3,267,785	4,065,355	**4,100,160**
EBITDA (note 1)	250,451	258,380	336,226	405,104	**397,667**
Shareholders' funds	1,148,119	1,447,252	1,641,094	1,833,054	**1,907,759**
Net profit attributable to ordinary equity holders of the Company (note 2)	81,700	83,115	96,484	101,790	**100,884**
Dividends per share (HK cents)	0.0	2.5	2.7	3.3	**2.7**

KEY FINANCIAL RATIOS

	For the year ended/As at 31 December				
	2008	2009	2010	2011	**2012**
Gross profit margin (%)	18.6	17.5	15.7	14.5	**16.3**
Net profit margin (%)	3.1	3.2	3.1	3.1	**2.7**
Gearing ratio (net debt/capital and net debt) (%)	51.7	41.3	52.9	49.9	**46.2**

Notes:

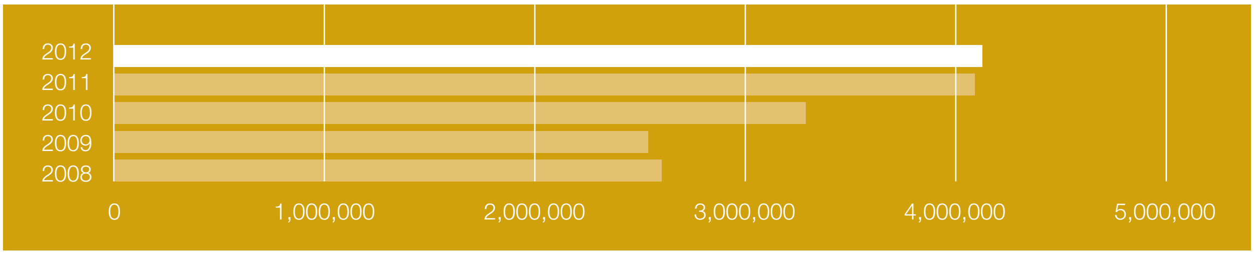
(1) EBITDA refers to profit before interest, tax, depreciation and amortisation

(2) Excluding the one-off gain of HK$12.8 million in relation to the disposal of part of interest in the Madagascar mining project in 2011

FINANCIAL HIGHLIGHTS AND SUMMARY

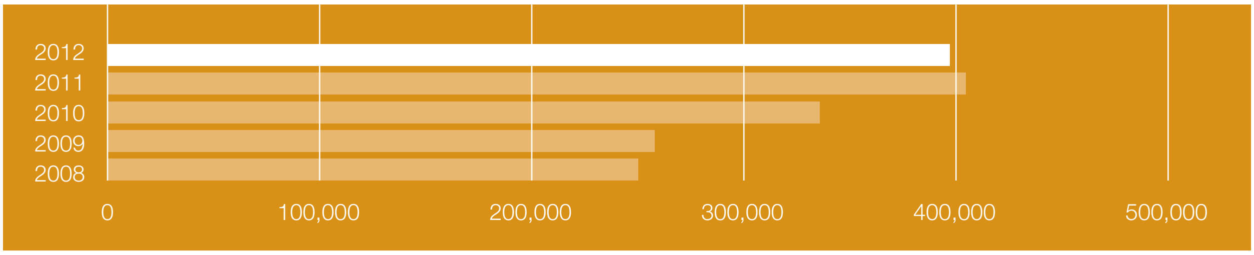
REVENUE

HK$'000



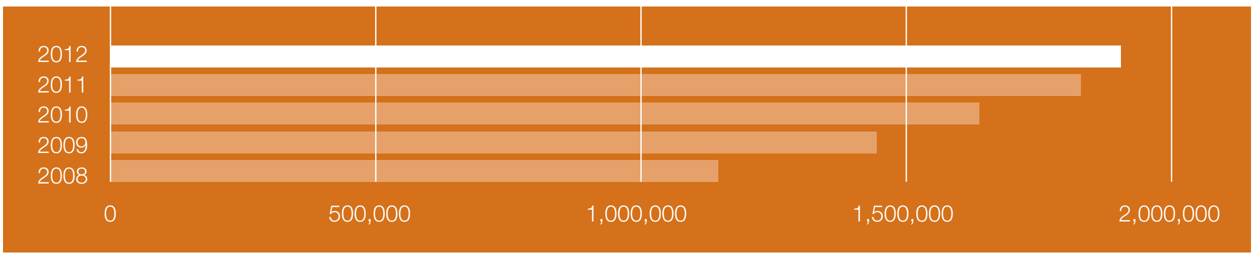
PROFIT BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION ("EBITDA")

HK$'000



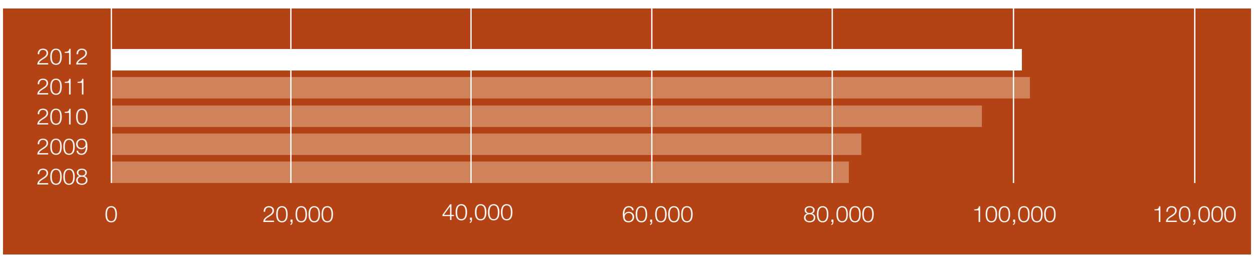
SHAREHOLDERS' FUNDS

HK$'000



NET PROFIT ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

HK$'000



CHAIRMAN'S STATEMENT

On behalf of the Board (the "Board") of Directors (the "Directors") of Kam Hing International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), it is my pleasure to present the consolidated audited results of the Group for the year ended 31 December 2012 (the "Year").

2012 continued to be a year of adjustment for the Chinese textile and garment industry as lackluster market conditions in key end markets, such as the United States, persisted. From an economic perspective, this was mainly attributable to the country's relatively high unemployment rate, which fluctuated sporadically between 7.8% and 8.5% during the Year. The United States Purchasing Managers Index ("PMI") standing at a marginal 50% threshold over the course of 2012 also signalled a slow pace in economic growth and prudent consumer behaviour, which ultimately caused a global order reduction in textile products during the Year. Nonetheless, the United States has recently showed signs of economic improvement, with the unemployment rate edged down to 7.7% in February 2013, its lowest since December 2008, and PMI has climbed to approximately 54.2%. This positively correlates with the Group's improved order book for the first quarter of 2013, signifying that consumer confidence is gradually returning.

The domestic textile market is also facing notable challenges as the country's evident slowdown in gross domestic product ("GDP") has led to a significant build up in retail inventory during the Year. This inevitably disrupted the business cycle of many Chinese enterprises, who are in fact rather cash strapped. In view of the market situation, the Group has strategically and proactively slowed our expansion in the region during the Year, so as to minimise the impact on our receivables. For the year ended 31 December 2012, the China domestic market faced a significant drop in the Group's overall sales.

In spite of the external circumstances, I am pleased to report that the Group continued to demonstrate resilience during times of uncertainty. By adopting a flexible and competitive pricing strategy during the Year, we were able to benefit from the market consolidation and successfully captured a solid order book during the Year, thus maintaining our turnover at a reasonable level. Efforts in streamlining our production process, through new machine upgrades, have increased our operating efficiency. Economies of scale spurred by an increase in production efficiency has also effectively lowered overheads and delivered solid contributions to our profit margin during the Year, which grew by 1.8 percentage points to 16.3%.

The Board foresees that the market consolidation process will still prevail well into 2013, yet I would emphasise that the above mentioned initiatives will help us stand in good stead during the anticipated market recovery and will assist us to gain a stronger foothold in all value-enhancing opportunities.

The Board has resolved to recommend the payment of a final dividend of HK2.7 cents per share subject to approval by the shareholders at the forthcoming annual general meeting of the Company.

CHAIRMAN'S STATEMENT

PROSPECTS

To further strengthen our role in the global textile and garment industry, the Group has been rigoursly investing in the research and development of value-added products, so as to migrate our product mix to a more high-end and functional platform. The strategic move also aims to protect the Group's margins and avoid direct competition over offshore competitors with much lower manufacturing costs. As such, the Group's fabric printing factory with enhancements for the development of synthetic fiber in Enping, the People's Republic of China ("PRC"), is scheduled for trial production by the second quarter of 2013 and will ultimately enhance the Group's profitability in the long-run, thus further realising our efforts in transforming into a one-stop fabric solutions provider. With sufficient orders on hand, significant profit contribution from this new business line is expected for the latter half of 2013. On the other hand, the Group has invested substantially during the Year for machine upgrades and will continue to instrument this automation process in the coming years, so as to elevate our production efficiency and market competitiveness.

The Group will strive to seek value enhancing opportunities in new emerging markets such as Russia. Though our key end market remains in the United States at the current moment, such endevours will serve the Group well in diversifying our clientele base and will help minimise our susceptibility to volatile Western market adjustments in the long term.

Looking ahead, the Board believes that a market recovery may likely to materialise in the latter half of 2013. With our revamping mechanisms and development strategies in place, I am confident that we are ready to embrace the light at the end of the tunnel and will emerge as one of the strongest players in the industry and will continue to achieve progressive results in the coming year.

APPRECIATION

I would like to take this opportunity to thank our management team and employees for their support and hard work during the Year. In addition, I convey my gratitude to our customers, business partners and shareholders for their continual confidence and trust in the Company.

Tai Chin Chun
Chairman

Hong Kong, 27 March 2013

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

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

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

KEY DEVELOPMENTS

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

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

PROSPECT

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

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

FINANCIAL REVIEW

Revenue

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

Gross Profit and Gross Profit Margin

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

Net Profit and Net Profit Margin

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

Other Income and Expenses

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

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

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

Liquidity and Financial Resources

As at 31 December 2012, the Group's net current assets were HK$448.9 million (2011: HK$838.8 million). The Group will constantly review its financial position and maintain a healthy financial position by financing its operations from internally generated resources and long-term bank loans. As at 31 December 2012, the Group had cash and cash equivalents of HK$494.6 million (2011: HK$553.1 million). Current ratio was 1.3 times (2011: 1.5 times).

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

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

Financing

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

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

Dividend

The Board has resolved to recommend the payment of a final dividend of HK2.7 cents (2011: HK3.3 cents) per share for the year ended 31 December 2012 which will be payable to shareholders whose names appear on the register of members of the Company on 14 June 2013. Subject to the approval of shareholders regarding the payment of the final dividend at the forthcoming annual general meeting of the Company, the proposed final dividend will be paid on or about 27 June 2013.

Capital Structure

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

As at 31 December 2012, there has been no change in the capital structure of the Company. The share capital of the Company comprises only ordinary shares.

Foreign Exchange Risk and Interest Rate Risk

75.5% (2011: 72.7%) of the Group's sales was denominated in US dollars. The remaining sales were denominated in Hong Kong dollars and Renminbi. The majority of the Group's costs of sales were denominated in US dollars, Hong Kong dollars and Renminbi. The Group is therefore exposed to foreign exchange risk arising from currency exposures, primarily in respect to the Renminbi. The exchange rates of other currencies were relatively stable throughout the Year and immaterial on our cost structure. The management closely monitors the foreign exchange movements and determines the appropriate hedging activities when necessary.

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

Charge of Group's Assets

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

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

Capital Expenditure

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

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

Staff Policy

The Group had 5,948 (2011: 6,379) employees in the PRC, 2,224 (2011: 4,192) employees in Madagascar and 183 (2011: 180) employees in Hong Kong, Macau, Singapore and Korea as at 31 December 2012. Remuneration packages are generally structured by reference to market terms and individual qualification. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Discretionary bonuses are offered to the Group's staff depending on their performance and the results of the Group. The Group also participates in various defined contribution plans and insurance schemes in compliance with its statutory obligations under the laws and regulations of various locations worldwide.

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

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

Major Customers and Suppliers

For the year ended 31 December 2012, sales to the Group's five largest customers accounted for 30.1% (2011: 32.5%) of total sales and sales to the largest customer included therein accounted for 9.5% (2011: 10.7%).

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

None of the Directors, their respective associates (as defined in The Rules (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 five percent of the issued capital of the Company had any interest in the Group's five largest customers and/or suppliers during the Year.

Segment Information

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

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

Material Acquisition and Disposal

On 1 October 2012, the Group entered into the disposal agreement with an independent third party (the "Purchaser"), pursuant to which, among other things, the Group has agreed to dispose of and the Purchaser has agreed to acquire the Group's 100% equity interest in Quick Grow Investments Limited and its subsidiary, Kam Hing Madagascar S.A.R.L, at a consideration of HK$14.8 million. The disposal was completed on 1 October 2012.

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

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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 (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2012.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code for securities transactions by Directors of the Company. Having made specific enquiry of all Directors, the Directors have confirmed that they have complied with the required standard set out in the Model Code for the year ended 31 December 2012.

BOARD OF DIRECTORS

As at 31 December 2012, the Board comprised nine Directors, including six executive Directors and three independent non-executive Directors. Biographical details of the Directors are set out in the section headed "Profile of Directors and Senior Management" on pages 18 to 21 of the annual report.

The composition of the Board, by category, is set out below:

Executive Directors:	Mr. Tai Chin Chun *(Chairman)* Mr. Tai Chin Wen *(Chief Executive Officer)* Ms. Cheung So Wan Ms. Wong Siu Yuk Mr. Chong Chau Lam Mr. Wong Wai Kong, Elmen
Independent Non-executive Directors:	Mr. Chan Yuk Tong, Jimmy Ms. Chu Hak Ha, Mimi Mr. Ho Gilbert Chi Hang

There is no relationship among members of the Board except for the family relationship among Mr. Tai Chin Chun, Mr. Tai Chin Wen, Ms. Cheung So Wan and Ms. Wong Siu Yuk. Mr. Tai Chin Chun is the younger brother of Mr. Tai Chin Wen and their spouses are Ms. Cheung So Wan and Ms. Wong Siu Yuk, respectively.

The Board has a balance of skills and various expertise to direct and supervise the business affairs of the Group. The Board undertakes to monitor the performance of the Group's business operation and act in the best interests of the Group as a whole. The management of the Company implements the strategic development and deals with certain operational matters of the Group under the delegation and authority of the Board.

During the year ended 31 December 2012, the Board convened five board meetings and one general meeting. The individual attendance of each Director at these meetings is set out below:

Name of Director	Attendance at board meeting (%)	Attendance at general meeting (%)
Executive Directors:		
Mr. Tai Chin Chun *(Chairman)*	5/5 (100%)	1/1 (100%)
Mr. Tai Chin Wen	5/5 (100%)	1/1 (100%)
Ms. Cheung So Wan	5/5 (100%)	1/1 (100%)
Ms. Wong Siu Yuk	5/5 (100%)	1/1 (100%)
Mr. Chong Chau Lam	5/5 (100%)	1/1 (100%)
Mr. Wong Wai Kong, Elmen	5/5 (100%)	1/1 (100%)
Independent Non-executive Directors:		
Mr. Chan Yuk Tong, Jimmy	5/5 (100%)	1/1 (100%)
Ms. Chu Hak Ha, Mimi	4/5 (80%)	0/1 (0%)
Mr. Ho Gilbert Chi Hang	5/5 (100%)	1/1 (100%)

In order to enhance an active contribution to the Board's affairs by all Directors, the Chairman has arranged to convene a regular full board meeting at quarterly intervals to review the financial and operating performance of the Group. To ensure that good corporate governance practices and procedures are established, the Chairman has delegated the company secretary to draw up and approve the agenda for each board meeting. Notice of at least 14 days has been given to all Directors for a regular board meeting and the Directors can give ideas for discussion in advance in the agenda, if necessary. Draft and final minutes of all regular board meetings have been sent to the Directors for comment and records respectively within a reasonable time after the board meeting is held.

During the Year, Directors are provided with monthly updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties. In addition, all Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company updates Directors on the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time, to ensure compliance and enhance their awareness of good corporate governance practices. During the Year, all Directors have attended/participated in seminars and in-house workshops which covered topics including the new Code, director's duties, the disclosure of inside information, connected transactions etc.

All Directors are requested to provide the Company with their respective training records pursuant to the Code. The Directors confirmed that they have complied with the code provision A.6.5 of the Code.

The Company has complied with Rules 3.10(1) and (2) and 3.10A of the Listing Rules in that the three independent non-executive Directors represent one third of the Board and one of them possesses the requisite appropriate professional accounting qualifications.

The Company has received from each independent non-executive Director an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive Directors to be independent.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The executive Directors, Mr. Tai Chin Chun and Mr. Tai Chin Wen, served as the Chairman and the Chief Executive Officer of the Company, respectively.

The roles of the Chairman and the Chief Executive Officer are segregated and not performed by the same individual. The Chairman is primarily responsible for the leadership of the Board and the formulation of overall strategic development of the Group, while the Chief Executive Officer is primarily responsible for the day-to-day management of the Group's business.

NON-EXECUTIVE DIRECTOR

The term of independent non-executive Directors is specified for two to three years subject to retirement by rotation and re-election at annual general meeting under the Company's articles of association.

COMPANY SECRETARY

The company secretary of the Company is Mr. Lei Heong Man, Ben. He has fulfilled the requirement under Rules 3.28 and 3.29 of the Listing Rules. As an employee of the Company, the company secretary supports the Board, ensures good information flow within the Board and Board policy and procedures are followed; advises the Board on governance matters, facilitates induction and, monitors the training and continuous professional development of Directors. He has attained not less than 15 hours of relevant professional training during the year ended 31 December 2012. His biography is set out in the "Profile of Directors and Senior Management" section of this annual report.

REMUNERATION COMMITTEE

The remuneration committee was established in September 2005. Terms of reference adopted by the remuneration committee are of no less exacting terms than those duties set out in the Code and a copy of which is available on the websites of the Stock Exchange and the Company. The remuneration committee comprised three independent non-executive Directors, namely Ms. Chu Hak Ha, Mimi (Chairman), Mr. Chan Yuk Tong, Jimmy and Mr. Ho Gilbert Chi Hang, and two executive Directors, namely Mr. Tai Chin Chun and Mr. Tai Chin Wen. The remuneration committee is primarily responsible for reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management of the Company to ensure that such remuneration is reasonable and not excessive.

During the year ended 31 December 2012, the remuneration committee convened one meeting and the individual attendance of each committee member at that meeting is set out below:

Name of Director	Attendance	(%)
Independent Non-executive Directors:		
Ms. Chu Hak Ha, Mimi *(Chairman)*	1/1	(100%)
Mr. Chan Yuk Tong, Jimmy	1/1	(100%)
Mr. Ho Gilbert Chi Hang	1/1	(100%)
Executive Directors:		
Mr. Tai Chin Chun	1/1	(100%)
Mr. Tai Chin Wen	1/1	(100%)

The remuneration committee meeting was held to review and recommend the salary revision for executive Directors. As no Director or any of his/her associate should be involved in deciding his/her own remuneration in compliance with the principle of the Code, the relevant Directors had abstained from voting on their respective resolutions in which they were materially interested in. Remuneration payable to senior management (excluding Directors) for the year ended 31 December 2012 is within the band of below HK$1,500,000 (10 individuals) and the band of HK$1,500,001 and HK$3,000,000 (2 individuals), respectively. Details of the remuneration of the Directors for the year ended 31 December 2012 are shown in note 8 to the financial statements.

NOMINATION COMMITTEE

The nomination committee was established in September 2005. Terms of reference adopted by the nomination committee are of no less exacting terms than those duties set out in the Code and a copy of which is available on the websites of the Stock Exchange and the Company. The nomination committee comprised three independent non-executive Directors, namely Mr. Ho Gilbert Chi Hang (Chairman), Mr. Chan Yuk Tong, Jimmy and Ms. Chu Hak Ha, Mimi, and two executive Directors, namely Mr. Tai Chin Chun and Mr. Tai Chin Wen. The nomination committee is primarily responsible for reviewing and making recommendations to the Board on the selection of Board members to ensure that suitable individuals are nominated for filling vacancies on the directorships.

During the year ended 31 December 2012, the nomination committee convened two meetings and the individual attendance of each committee member at these meetings is set out below:

Name of Director	Attendance	(%)
Independent Non-executive Directors:		
Mr. Ho Gilbert Chi Hang *(Chairman)*	2/2	(100%)
Mr. Chan Yuk Tong, Jimmy	2/2	(100%)
Ms. Chu Hak Ha, Mimi	2/2	(100%)
Executive Directors:		
Mr. Tai Chin Chun	2/2	(100%)
Mr. Tai Chin Wen	2/2	(100%)

The nomination committee meetings were held to review the structure, size and composition including the skills, knowledge and experience of the Board. During the Year under review, the nomination committee concluded that the current Board comprises a sufficient number of directors and is well balanced with each Director having sound knowledge, experience and/or expertise relevant to the business operations and development of the Group.

RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

The Directors are responsible for overseeing the preparation of financial statements for each financial period to ensure such financial statements give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. The Company's financial statements are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgment and estimates made are prudent and reasonable.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

AUDITORS' REMUNERATION

For the year ended 31 December 2012, Ernst & Young, as the external auditors of the Company, have provided audit and non-audit services to the Group at the fees of approximately HK$2.5 million and HK$0.3 million, respectively.

The responsibilities of the external auditors of the Company are set out in the "Independent Auditors' Report" on page 29 of this report.

AUDIT COMMITTEE

The audit committee was established in August 2004. Terms of reference adopted by the audit committee are of no less exacting terms than those duties set out in the Code and a copy of which is available on the websites of the Stock Exchange and the Company. The audit committee of the Company comprises all the three independent non-executive Directors, namely Mr. Chan Yuk Tong, Jimmy (Chairman), Mr. Ho Gilbert Chi Hang and Ms. Chu Hak Ha, Mimi. The main responsibilities of the audit committee include the following:

– assists the Board in discharging its statutory responsibilities on financial and accounting matters;

– reviews and monitors the effectiveness of the audit process in accordance with applicable standard;

– develops and implements policy on the engagement of external auditor;

– reviews the Company's financial controls, internal control and risk management system; and

– develops and reviews the Company's policies and practices on corporate governance and make recommendations to the Board.

During the year ended 31 December 2012, the audit committee convened three meetings and the individual attendance of each committee member at these meetings is set out below:

Name of Director	Attendance	(%)
Independent Non-executive Directors:		
Mr. Chan Yuk Tong, Jimmy *(Chairman)*	3/3	(100%)
Ms. Chu Hak Ha, Mimi	3/3	(100%)
Mr. Ho Gilbert Chi Hang	3/3	(100%)

The audit committee meetings were held to discuss with the management and/or the external auditors the accounting policies and internal controls adopted by the Group, as well as to review the interim and annual financial statements of the Group before recommending them to the Board for adoption and approval. It has also reviewed the Company's compliance with the Code.

The audit committee also made recommendation to the Board on the re-appointment of the external auditor. The Board has not taken a different view from that of the audit committee regarding the selection, appointment, resignation or dismissal of the external auditors.

INTERNAL CONTROLS

The Board is responsible for maintaining an adequate internal control system to safeguard shareholder investments and Company assets, and reviewing the effectiveness of the same on an annual basis.

The Group has an independent internal audit department. The independent internal audit department is primarily responsible for carrying out review of the internal control system and risk management process. This is part of the on-going process to ensure that the effectiveness of material controls is monitored.

During the year of 2012, the Board has conducted a review of the effectiveness of the internal control system of the Group covering all material controls, including financial, operational and compliance controls as well as risk management functions as required by the Code. The audit committee has also reviewed the internal control system of the Group and the findings of major investigations of internal control matters. The Group implements budget management with an aim to have better monitor on both business and financial performance. There was no significant incidence of failure in connection with financial, operational and compliance control during the Year under review and the Board also considered that there are adequate staff with appropriate qualifications and experience, resources and budget of its accounting and financial reporting function, and adequate training programmes have been provided.

The Company has implemented a system of internal controls to provide reasonable assurance that assets are safeguarded, proper accounting records are maintained, appropriate legislation and regulations are complied with, reliable financial information are provided for management and publication purposes, investment and business risks are identified and managed, the Board will continue to review procedures implemented for assessing their effectiveness of the internal control system.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Company establishes different communication channels with shareholders and investors, including (i) dispatching printed copies of corporate communication documents to shareholders; (ii) using the annual general meeting as a forum for shareholders to raise comments and exchange views with the Board; (iii) setting up regular press conferences and meetings with investors and analysts from time to time to introduce and release information of the Group, (iv) engaging the Company's share registrars to serve the shareholders on all share registration matters, and (v) maintaining a corporate website at www.kamhingintl.com, at which, comprehensive information, updates on the Company's business development and operations are provided.

SHAREHOLDERS' RIGHTS

In accordance with the Article 58 of the Articles of Association of the Company, one or more shareholders of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Board shall be reimbursed to the requisitionists by the Company.

A shareholders' communication policy (the "Policy") was adopted by the Company to maintain an on-going dialogue with shareholders and encourage them to communicate actively with the Company and the Board will review the Policy on a regular basis to ensure its effectiveness.

Shareholders should direct their questions about their shareholdings to the Company's Hong Kong branch share registrar: Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

Other enquiries or comments raised by any shareholder can be mailed to the Board at the Company's principal place of business in Hong Kong at Units 1-9, 8th Floor, Lucida Industrial Building, 43-47 Wang Lung Street, Tsuen Wan, New Territories, Hong Kong, through the Company's official website (www.kamhingintl.com), or sent through fax number at (852) 2408 1891, or by using the Company's telephone hotline at (852) 2406 0080.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Tai Chin Chun (戴錦春), aged 51, is the Chairman of the Board, an executive Director, a director of most subsidiaries of the Company and co-founder of the Group. He is also a member of the remuneration committee and nomination committee of the Company. Mr. Tai is in charge of the Group's corporate strategy, planning and overall development. He has more than 25 years of experience in the textile industry, in which he served more than 15 years for the Group. Mr. Tai conferred an Honorary Consulate of The Republic of Mauritius in Hong Kong Special Administration Region ("HKSAR") in January 2010. Mr. Tai obtained the "World Outstanding Chinese Award 2008" from United World Chinese Association and conferred an Honorary Doctor Degree by The University of West Alabama (Regional University), USA. Mr. Tai is an executive director of Guangdong Chamber of Foreign Investors (廣東外商公會常務理事), a member of Guangdong Committee of CPPCC and Panyu District Committee of CPPCC (中國人民政治協商會議廣東省委員會委員、廣州市番禺區委員會委員). He is also a vice chairman and life honorary president of Pan Yue Industrial and Commercial Fellowship Association Limited (香港番禺工商聯誼會有限公司副主席及永遠榮譽會長). He has also been awarded honorary citizenship of Guangzhou Municipal (廣州市榮譽市民), life honorary president of Fujian Tai's Clan Hong Kong Association, Panyu Charity Federation, Guangzhou Municipal (福建旅港戴氏宗親會永遠榮譽會長及廣州市番禺區慈善會永遠榮譽會長). Mr. Tai is the younger brother of Mr. Tai Chin Wen and the spouse of Ms. Cheung So Wan.

Mr. Tai Chin Wen (戴錦文), aged 57, is an executive Director, the Chief Executive Officer, a director of most subsidiaries of the Company and co-founder of the Group. He is also a member of the remuneration committee and nomination committee of the Company. Mr. Tai is in charge of the Group's day-to-day management. He has over 25 years of management experience in the manufacturing industry, in which he served more than 15 years for the Group. Mr. Tai is a standing member of Hubei Committee of CPPCC and Guangdong Enping Committee of CPPCC, a member of the Fujian Nan An Committee of CPPCC and Jiangmen Committee of CPPCC (中國人民政治協商會議湖北省委員會常務委員及廣東省恩平市委員會常務委員, 福建省南安市委員會委員及江門市委員會委員). He is a vice chairman of Hubei-Africa Business Council (湖北省非洲民間商會副會長), executive director of Hubei Chinese Overseas Friendship Association (湖北省海外聯誼會常務理事), vice chairman of Guangdong Jiangmen City Association of Foreign Investment (廣東省江門市外商投資協會副會長) and president of Fujian Tai's Clan Hong Kong Association (福建旅港戴氏宗親會會長). He has also been awarded honorary citizenship of Guangzhou Municipal and Jiangmen (廣州市榮譽市民及江門市榮譽市民), life honorary president of Hong Kong Fujian Nan An Association (香港福建南安公會永遠榮譽會長). Mr. Tai is the elder brother of Mr. Tai Chin Chun and the spouse of Ms. Wong Siu Yuk.

Ms. Cheung So Wan (張素雲), aged 49, is an executive Director. She is also a director of some subsidiaries of the Group. She is responsible for yarn sourcing, quality control and stock control in the Group, and assists in the overall management of the Group. Ms. Cheung joined the Group in November 1996 and has more than 15 years of experience in the textile industry. Ms. Cheung is the spouse of Mr. Tai Chin Chun.

Ms. Wong Siu Yuk (黃少玉), aged 51, is an executive Director. She is also a director of some subsidiaries of the Group. She is responsible for dyeing material sourcing, quality control and stock control in the Group, and assists in the overall management of the Group. Ms. Wong joined the Group in December 1996 and has more than 15 years of experience in the textile industry. Ms. Wong is the spouse of Mr. Tai Chin Wen.

Mr. Chong Chau Lam (莊秋霖), aged 63, is an executive Director. He is responsible for overall management of the textile business of the Group. Mr. Chong obtained a high diploma in Dyeing, Printing and Finishing Technology from the Hong Kong Technical College and a master degree of Business Administration from the University of East Asia. He is an associate member of both the Society of Dyers and Colourists and the Textile Institute in United Kingdom, and was awarded the Silver Medal by the Society of Dyers and Colourists in 1982. Prior to joining the Group on 30 March 2004, he worked as a senior lecturer at the Institute of Textiles and Clothing of the Hong Kong Polytechnic University and an engineer in a local textile company. Mr. Chong is also a member of the Dyeing and Finishing Special Committee, the China Textile Engineering Society, and an active technical consultant in the dyeing and finishing sector.

Mr. Wong Wai Kong, Elmen (黃偉桄), aged 47, is an executive Director. Mr. Wong is also a director of some subsidiaries of the Group. Mr. Wong is responsible for the strategic planning and corporate development of the Group. Mr. Wong obtained a bachelor degree of Business Administration from the Hong Kong Baptist University, a master degree of Business Administration from the University of Sheffield and a master degree of Science in Business Information Technology from the Middlesex University. Prior to joining the Group in December 2002, Mr. Wong gained extensive financial experience in professional accounting and auditing for over 8 years. Mr. Wong is a fellow member of the Association of Chartered Certified Accountants and a practising fellow member of the Hong Kong Institute of Certified Public Accountants.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Yuk Tong, Jimmy (陳育棠), aged 50, is chairman of the audit committee, and a member of the remuneration committee and nomination committee of the Company. Mr. Chan obtained a bachelor degree in Commerce from the University of Newcastle in Australia and a master degree of Business Administration from the Chinese University of Hong Kong. He is a practising fellow member of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. Mr. Chan has over 20 years of experience in corporate finance, financial advisory and management, professional accounting and auditing. He is also an independent non-executive director of Ausnutria Dairy Corporation Ltd, BYD Electronic (International) Company Limited, Daisho Microline Holdings Limited, Global Sweeteners Holdings Limited, Sinopoly Battery Company Limited, Trauson Holdings Company Limited and Xinhua Winshare Publishing and Media Co., Ltd., which are listed companies in Hong Kong. Mr. Chan retired/resigned as an executive director of Asia Cassava Resources Holdings Limited on 3 August 2010, an independent non-executive director of Great Wall Motor Company Limited on 26 November 2010 and a non-executive director of Vitop Bioenergy Holdings Limited on 24 May 2011, all of which are listed companies in Hong Kong. He has also retired as an independent non-executive director of Anhui Conch Cement Company Limited, which is a listed company in Hong Kong and Shanghai, with effect from 31 May 2012. Mr. Chan joined the Group on 30 March 2004.

Ms. Chu Hak Ha, Mimi (朱克遐), aged 49, is a solicitor practising in HKSAR and a partner of David Lo & Partners, a law firm in Hong Kong. Ms. Chu was also admitted as solicitor in England and Wales and solicitor and barrister in the Australian Capital Territory. Ms. Chu joined the Group on 30 March 2004. She is a chairman of the remuneration committee, and a member of the audit committee and nomination committee of the Company.

Mr. Ho Gilbert Chi Hang (何智恒), aged 36, is the chairman of the nomination committee, and a member of the remuneration committee and audit committee of the Company. Mr. Ho is the vice president of ITC Corporation Limited, a company listed on the Stock Exchange. He has extensive experience in the area of corporate management, investments, corporate finance, merger and acquisition transactions and international brand management. Prior to joining ITC Corporation Limited, he was the senior investment director of New World Development Company Limited (a company listed on the Stock Exchange) and an executive director of New World Strategic Investment Limited. He was also a partner of an international law firm Fried, Frank, Harris, Shriver and Jacobson LLP. He is a Committee Member of the Chinese People's Political Consultative Conference of Shenyang, a Standing Committee Member of the Youth Federation of Inner Mongolia and a Vice Chairman of Inner Mongolia & Hong Kong Youth Exchange Association. Mr. Ho holds a Bachelor of Commerce degree and a Bachelor of Laws degree from the University of Sydney, Australia and is a solicitor admitted in New South Wales, Australia and England and Wales and a solicitor and barrister admitted in the High Court of Australia.

Mr. Ho had been a non-executive director of Renhe Commercial Holdings Company Limited during December 2007 to 27 February 2012, a non-executive director of New Environmental Energy Holdings Limited during 6 January 2010 to 23 September 2010 and is an independent non-executive director of Infinity Chemical Holdings Limited since March 2010, all of the above-mentioned companies are listed on the Stock Exchange. Mr. Ho joined the Group on 4 May 2010.

SENIOR MANAGEMENT

Mr. Kung Wai Chung (龔衛忠), aged 55, is the deputy general manager of the Group and is responsible for the overall management and administration in the Group. Mr. Kung is a director of some subsidiaries of the Group. Mr. Kung obtained a craft certificate in Tool and Die Making awarded by the Kwai Chung Technical Institute and a professional certificate in Business Management awarded by the Hong Kong Open University. Prior to joining the Group in November 1996, Mr. Kung has worked for textile companies for over 10 years. Mr. Kung is the brother-in-law of both Mr. Tai Chin Chun and Mr. Tai Chin Wen.

Mr. Wong Yi Ming (黃一鳴), aged 48, is the deputy managing director of Guangzhou Kamhing Textile Dyeing Co., Ltd. (the "Guangzhou KH"), a wholly-owned subsidiary of the Group, and is responsible for the overall management and administration of Guangzhou KH. Mr. Wong obtained a master degree of Business Administration from the Zhongshan University. He has over 20 years of management experience in the textile industry. Prior to joining the Group in September 1997, Mr. Wong has worked for PRC companies for over 16 years, where he was responsible for financial and business management. Mr. Wong is the younger brother of Ms. Wong Siu Yuk.

Mr. Chin Tai Wing (錢棣榮), aged 62, is the director and chief executive officer of Kam Wing International Textile Company Limited ("Kam Wing"), a subsidiary of the Group which is the holding company of the Group's fabric factory in Enping, the PRC. Mr. Chin is in charge of the corporate development and management of Kam Wing and its subsidiary. Mr. Chin has more than 30 years of experience in the textile industry and has been actively engaged in the textile business of dyeing, finishing, printing, knitting and sales of fabric. Mr. Chin joined the Group in January 2007. Mr. Chin is the father-in-law of a son of Mr. Tai Chin Wen.

Mr. Liu Zhi Gang (劉志剛), aged 46, is the factory manager of the fabric dyeing operation of Guangzhou KH, and is responsible for the monitoring and management of the Group's fabric dyeing operation. Prior to joining the Group in July 1997, Mr. Liu has worked for dyeing companies for over 7 years.

Mr. Tai Chu Fa (戴住發), aged 60, is the deputy general manager of the knitting operation of Guangzhou KH, and is responsible for the monitoring and management of the Group's knitting operation. Prior to joining the Group in December 1996, Mr. Tai has worked for knitting companies for over 25 years.

Mr. Wong Yin Ming (王燕明), aged 51, is the factory manager of the yarn dyeing operation of Guangzhou KH and is responsible for the monitoring and management of the Group's yarn dyeing operation. Prior to joining the Group in June 2004, Mr. Wong has worked for dyeing companies for over 10 years.

Mr. Chan Ying Wah (陳映華), aged 57, is the production control manager of the knitting and dyeing operations of Guangzhou KH and is responsible for the monitoring of the Group's knitting and dyeing production. Prior to joining the Group in January 2003, Mr. Chan worked for knitting companies for over 20 years.

Mr. Ho Yi Piu, Bill (何宜標), aged 44, is the director of Kam Hing Piece Works (S) Pte Limited, a wholly-owned subsidiary of the Group. Mr. Ho is the sales director in charge of the Group's sales and marketing function in the Singapore region. Mr. Ho obtained a diploma in Business Administration from the Society of Business Practitioners, Cheshire, United Kingdom. Prior to joining the Group in June 1999, Mr. Ho has worked for fabric trading companies and he has over 10 years of experience in the textile industry. Mr. Ho is the son-in-law of the brother of Mr. Tai Chin Chun and Mr. Tai Chin Wen.

Ms. Leung Mei Yin (梁美賢), aged 48, is the sales director in charge of the Group's sales and marketing function in the Hong Kong Region. Ms. Leung has over 20 years of experience in the textile industry. Ms. Leung joined the Group in December 2008.

Mr. Tai Tang Tat (戴騰達), aged 32, is the general manager and sales director of Kam Hing Piece Works Limited, a wholly-owned subsidiary of the Group. Mr. Tai is the sales director in charge of sales and marketing function in the PRC and Korea and a director of some subsidiaries of the Group. Mr. Tai obtained a diploma in Computer Science from the Sydney Institute of Business and Technology, Australia. Mr. Tai is the son of Mr. Tai Chin Wen. Mr. Tai joined the Group in March 2002.

Mr. Pong Chi Ho, Terence (龐志豪), aged 43, is the general manager of Kam Hing Global Garment Company Limited, a wholly-owned subsidiary of the Group, and is responsible for the sales and marketing of the Group's garment section. Mr. Pong obtained a certificate in Fashion and Clothing Manufacture awarded by the Hong Kong Polytechnic University. Prior to joining the Group in September 2006, Mr. Pong has worked for both garment factory and garment trading company and he has over 15 years of experience in the garment industry.

Mr. Lei Heong Man, Ben (李向民), aged 52, is the chief financial officer and company secretary of the Group and is responsible for the supervision and management of the Group's financial matters. Mr. Lei has over 18 years of experience in regional financial and operational management in multinational corporations and listed companies, and he is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Lei holds a bachelor degree in Accountancy, Finance and Economics from the University of Essex, and a Master of Business Administration degree from The University of Wales, United Kingdom. Mr. Lei joined the Group in June 2009.

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements of the Company and of the Group for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 17 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the Year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2012 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 31 to 107 .

The Directors recommend the payment of a final dividend of HK2.7 cents (2011: HK3.3 cents) per ordinary share in respect of the Year, to be payable to the shareholders whose names appear on the register of members of the Company on 14 June 2013.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed during the following periods:

a. from Thursday, 30 May 2013 to Monday, 3 June 2013 (both days inclusive), for the purpose of ascertaining shareholders' entitlement to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates, have to be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Wednesday, 29 May 2013; and

b. from Thursday, 13 June 2013 to Friday, 14 June 2013 (both days inclusive), for the purpose of ascertaining shareholders' entitlement to the purposed final dividend. In order to be eligible to receive the proposed final dividend, all transfer documents accompanied by the relevant share certificates, have to be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, 11 June 2013.

SUMMARY FINANCIAL INFORMATION

A summary of the results and assets, liabilities and non-controlling interests of the Group for the last five financial years, is set out on page 108. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year are set out in note 14 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the Year, together with the reasons therefor, are set out in notes 30 and 31 to the financial statements, respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders of the Company.

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.

RESERVES

Details of movements in the reserves of the Company and of the Group during the Year are set out in note 32(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2012, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to HK$946,364,000, of which HK$23,488,000 have been proposed as final dividend for the Year after the reporting period. The amount of HK$946,364,000 includes the Company's share premium account and capital reserve of HK$848,112,000 in aggregate as at 31 December 2012, which may be distributed provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be able to pay off its debts as and when they fall due in the ordinary course of business.

CHARITABLE CONTRIBUTIONS

During the Year, the Group made charitable contributions totalling HK$3,857,000.

MAJOR CUSTOMERS AND SUPPLIERS

In the Year under review, sales to the Group's five largest customers accounted for 30.1% (2011: 32.5%) of the total sales and sales to the largest customer included therein accounted for 9.5% (2011: 10.7%). Purchases from the Group's five largest suppliers accounted for 31.9% (2011: 35.4%) of the total purchases for the Year and purchases from the largest supplier included therein accounted for 10.2% (2011: 11.9%).

None of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and/or five largest suppliers during the Year.

DIRECTORS

The Directors during the Year and as at the date of this report were:

Executive Directors:

Mr. Tai Chin Chun *(Chairman)*
Mr. Tai Chin Wen *(Chief Executive Officer)*
Ms. Cheung So Wan
Ms. Wong Siu Yuk
Mr. Chong Chau Lam
Mr. Wong Wai Kong, Elmen

Independent non-executive Directors:

Ms. Chu Hak Ha, Mimi
Mr. Chan Yuk Tong, Jimmy
Mr. Ho Gilbert Chi Hang

In accordance with article 87(1) of the Company's articles of association, Mr. Tai Chin Wen, Ms. Wong Siu Yuk and Ms. Chu Hak Ha, Mimi, will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company. The independent non-executive Directors are appointed for a term of two to three years.

The Company has received annual confirmations of independence from Ms. Chu Hak Ha, Mimi, Mr. Chan Yuk Tong, Jimmy and Mr. Ho Gilbert Chi Hang, and considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 18 to 21 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors and the independent non-executive Directors has a service contract with the Company for a term of three years and two to three years, respectively and is subject to termination by either party by giving not less than three months' and one month's written notice, respectively.

Under the service contracts, after each complete year of service, the remuneration payable to each of the executive Directors may, subject to the discretion of the Board, be entitled to discretionary bonuses, with reference to their duties and responsibilities with the Company, their performance against corporate goals and objectives, the remuneration standard in the market and salaries paid by the comparable companies.

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

The Directors' remuneration is subject to shareholders' approval at general meetings with reference to the recommendation of the Company's remuneration committee. The Group's emolument policies are formulated based on the performance of individual employees and are reviewed regularly. Subject to the Group's profitability, the Group may also provide a discretionary bonus to its employees as an incentive for their contribution to the Group. The primary goal of the remuneration policy with regard to the remuneration packages of the Group's executive Directors is to enable the Group to retain and motivate executive Directors by linking their compensation with performance as measured against corporate objectives achieved.

The principal elements of the Group's remuneration packages include basic salaries, discretionary bonuses, housing benefits and share option benefits.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in the related party transactions disclosures in note 38 to the financial statements, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2012, the interests and short positions of the Directors or the chief executive of the Company in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions in ordinary shares and underlying shares of the Company:

		Capacity and nature of interest				Approximate percentage of the
Name of director	Notes	**Beneficial owner** (shares)	**Interest of spouse** (shares)	**Interest in controlled corporation** (shares)	**Total interests** (shares)	**Company's issued share capital** (%)
Mr. Tai Chin Chun	1	3,000,000	1,000,000	332,600,000	336,600,000	38.69
Mr. Tai Chin Wen	2	2,000,000	1,000,000	96,000,000	99,000,000	11.38
Ms. Cheung So Wan	3	1,000,000	335,600,000	–	336,600,000	38.69
Ms. Wong Siu Yuk	4	1,000,000	98,000,000	–	99,000,000	11.38
Mr. Chong Chau Lam		300,000	–	–	300,000	0.03

Notes:

1. 332,600,000 shares are held by Exceed Standard Limited ("Exceed Standard"), a company incorporated in the British Virgin Islands (the "BVI") and beneficially owned by Mr. Tai Chin Chun, the chairman and an executive director of the Company. As Ms. Cheung So Wan is his spouse, Mr. Tai Chin Chun is deemed to be interested in the 1,000,000 shares held by Ms. Cheung So Wan under the SFO.

2. 96,000,000 shares are held by Power Strategy Limited ("Power Strategy"), a company incorporated in the BVI and beneficially owned by Mr. Tai Chin Wen. As Ms. Wong Siu Yuk is his spouse, Mr. Tai Chin Wen is deemed to be interested in the 1,000,000 shares held by Ms. Wong Siu Yuk under the SFO.

3. Ms. Cheung So Wan is deemed to be interested in the shares held by her spouse, Mr. Tai Chin Chun, under the SFO.

4. Ms. Wong Siu Yuk is deemed to be interested in the shares held by her spouse, Mr. Tai Chin Wen, under the SFO.

Save as disclosed above, as at 31 December 2012, none of the Directors nor the chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section "Directors' interests and short positions in shares and underlying shares" above and in the section "Share option scheme" below, at no time during the Year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Further details of the Scheme are disclosed in note 31 to the financial statements.

The following table discloses movements in the Company's share options outstanding during the Year:

Name of category of participant	Number of share options: At 1 January 2012	Granted during the Year	Exercised during the Year	Cancelled during the Year	Lapsed during the Year	At 31 December 2012	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$ per share	Price of the Company's shares at the grant date of options*** HK$ per share	Weighted average closing price immediately before the exercise date HK$ per share
Non-director employees											
In aggregate	1,060,000	–	–	–	–	1,060,000	6 October 2004	6 October 2005 to 5 October 2014	1.28	1.24	N/A
Others											
In aggregate	220,000	–	–	–	–	220,000	6 October 2004	6 October 2005 to 5 October 2014	1.28	1.24	N/A
Total	1,280,000	–	–	–	–	1,280,000					

* The vesting period of the share options is from the date of grant until the commencement of the exercise period.

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

*** The price of the Company's shares disclosed at the grant date of options is the closing price of the Company's shares on the Stock Exchange on the trading day or the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately prior to the date of offer of the grant of the options.

CONTRACT OF SIGNIFICANCE

No contracts of significance in relation to the Group's business in which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of the Year.

PERSONS WHO HAVE AN INTEREST OR SHORT POSITION WHICH IS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO

So far as is known to the Directors and the chief executive of the Company, as at 31 December 2012, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long positions:

Name	Capacity and nature of interest (Note)	Number of ordinary shares held	Percentage of the Company's issued share capital
Exceed Standard	Beneficial owner	332,600,000	38.23%
Power Strategy	Beneficial owner	96,000,000	11.04%

Note: The relationship between Exceed Standard and Mr. Tai Chin Chun, as well as that between Power Strategy and Mr. Tai Chin Wen are disclosed in the notes under the section headed "Directors' interests and short positions in shares and underlying shares" above.

Save as disclosed above, as at 31 December 2012, no person, other than the Directors or the chief executive of the Company whose interests are set out under the sections headed "Directors' interests and short positions in shares and underlying shares" and "Share option scheme" above, had an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register pursuant to Section 336 of the SFO.

DISCLOSURES PURSUANT TO RULE 13.21 OF THE LISTING RULES

In accordance with the requirements of Rule 13.21 of the Listing Rules, disclosure is required in respect of the loan agreements of the Company and of a subsidiary of the Company, which contain covenants requiring performance obligations of the controlling shareholders of the Company.

(a) Pursuant to a facility agreement dated 3 May 2010 and entered into between the Company as borrower and China Development Bank Corporation, Hong Kong Branch as lender, a term loan facility in an aggregate sum of US$12.0 million is made available to the Company repayable in three equal instalments on the dates falling 24, 30 and 36 months after the drawdown date. An event of default would arise if Mr. Tai Chin Chun and Mr. Tai Chin Wen together, either cease to remain as the single largest shareholder of the Company or cease to maintain a beneficial shareholding interest (directly or indirectly) of not less than 35% in the issued share capital of the Company, the commitments under the loan facility may be cancelled and all amounts outstanding under the loan facility may become immediately due and payable.

(b) Pursuant to another facility agreement dated 12 August 2011 and entered into among the Company and two other subsidiaries of the Company as guarantors, a wholly-owned subsidiary of the Company as the borrower and a syndicate of banks as lenders, a term loan facility in an aggregate sum of HK$690.0 million for a term of three and a half years is made available to the subsidiary of the Company repayable in four equal instalments on the dates falling 24, 30, 36 and 42 months after the date of the facility agreement. An event of default would arise if, either of or taken together, Mr. Tai Chin Chun and Mr. Tai Chin Wen either: (i) do not or cease to own, directly or indirectly, at least 40% of the beneficial interest in the Company, carrying at least 40% of the voting right, free from any security interest; (ii) are not or cease to be the single largest shareholder of the Company, (iii) do not or cease to have management control of the Group or (iv) do not or cease to appoint or nominate the majority of the Board or is not the chairman of the Company, the commitments under the loan facility may be cancelled and all amounts outstanding under the loan facility may become immediately due and payable.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting of the Company.

ON BEHALF OF THE BOARD

Tai Chin Chun
Chairman

Hong Kong
27 March 2013

安 永

To the shareholders of Kam Hing International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Kam Hing International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 31 to 107, which comprise the consolidated and company statements of financial position as at 31 December 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT

To the shareholders of Kam Hing International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
22nd Floor
CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong
27 March 2013

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
REVENUE	5	**4,100,160**	4,065,355
Cost of sales		**(3,431,315)**	(3,475,905)
Gross profit		**668,845**	589,450
Other income and gains, net	5	**41,790**	24,468
Selling and distribution expenses		**(146,577)**	(111,751)
Administrative expenses		**(375,408)**	(319,881)
Other operating income/(expenses), net		**(15,182)**	10,195
Gain on disposal of a subsidiary	33	**–**	12,797
Finance costs	6	**(43,483)**	(41,526)
Share of profits less losses of a jointly-controlled entity		**(6,146)**	(6,668)
Share of profits less losses of associates		**(1,517)**	(2,500)
PROFIT BEFORE TAX	7	**122,322**	154,584
Income tax expense	10	**(12,936)**	(27,352)
PROFIT FOR THE YEAR		**109,386**	127,232
Attributable to:			
Ordinary equity holders of the Company	11	**100,884**	114,587
Non-controlling interests		**8,502**	12,645
		109,386	127,232
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic		**HK11.6 cents**	HK13.2 cents
Diluted		**HK11.6 cents**	HK13.2 cents

Details of the dividend are disclosed in note 12 to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
PROFIT FOR THE YEAR		109,386	127,232
OTHER COMPREHENSIVE INCOME			
Realisation of exchange reserve upon disposal of subsidiaries		2,528	–
Exchange differences on translation of foreign operations		–	103,112
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		111,914	230,344
Attributable to:			
Ordinary equity holders of the Company	11	103,412	215,316
Non-controlling interests		8,502	15,028
		111,914	230,344

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	1,880,299	1,622,430
Prepaid land lease payments	15	69,261	72,109
Intangible assets	16	–	–
Interest in a jointly-controlled entity	18	26,895	33,041
Interest in an associate	19	47,331	48,848
Prepayment		7,381	–
Long term receivable		15,387	–
Deposits paid	20	26,728	27,553
Deferred tax assets	29	5,835	5,020
Total non-current assets		2,079,117	1,809,001
CURRENT ASSETS			
Inventories	21	770,559	899,011
Accounts and bills receivable	22	689,124	872,463
Prepayments, deposits and other receivables		53,091	56,124
Equity investment at fair value through profit or loss	23	596	159
Derivative financial instruments	26	69	1,960
Due from a jointly-controlled entity	18	36,300	14,505
Tax recoverable		2,887	748
Pledged deposits	24	2,174	121,790
Cash and cash equivalents	24	494,648	553,108
Total current assets		2,049,448	2,519,868
CURRENT LIABILITIES			
Accounts and bills payable	25	561,623	812,820
Accrued liabilities and other payables		118,607	131,529
Derivative financial instruments	26	32	6,614
Loan from a shareholder of an associate	38(c)(i)	–	77,800
Due to an associate	19	3,112	–
Tax payable		27,580	46,009
Bank advances for discounted bills	22	–	114,783
Interest-bearing bank and other borrowings	27	889,580	491,513
Total current liabilities		1,600,534	1,681,068
NET CURRENT ASSETS		448,914	838,800
TOTAL ASSETS LESS CURRENT LIABILITIES		2,528,031	2,647,801
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	27	563,165	752,775
Deferred tax liabilities	29	752	697
Total non-current liabilities		563,917	753,472
Net assets		1,964,114	1,894,329

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital	30	**86,992**	86,992
Reserves	32(a)	**1,820,767**	1,746,062
		1,907,759	1,833,054
Non-controlling interests		**56,355**	61,275
Total equity		**1,964,114**	1,894,329

Tai Chin Chun
Director

Tai Chin Wen
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2012

	Notes	Issued capital HK$'000	Share premium account HK$'000	Share option reserve HK$'000	Capital reserve HK$'000	Statutory surplus reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
		Attributable to ordinary equity holders of the Company									
At 1 January 2012		86,992	446,105	290	104,804	37,177	325,008	832,678	1,833,054	61,275	1,894,329
Profit for the year		–	–	–	–	–	–	100,884	100,884	8,502	109,386
Other comprehensive income for the year:											
Realisation of exchange reserve upon disposal of subsidiaries	33	–	–	–	–	–	2,528	–	2,528	–	2,528
Total comprehensive income for the year		–	–	–	–	–	2,528	100,884	103,412	8,502	111,914
Final 2011 dividend declared and paid		–	–	–	–	–	–	(28,707)	(28,707)	–	(28,707)
Dividend paid to non-controlling shareholders		–	–	–	–	–	–	–	–	(13,422)	(13,422)
Transfer to statutory surplus reserve		–	–	–	–	2,424	–	(2,424)	–	–	–
At 31 December 2012		86,992	446,105*	290*	104,804*	39,601*	327,536*	902,431*	1,907,759	56,355	1,964,114

* These reserve accounts comprise the consolidated reserves of HK$1,820,767,000 (2011: HK$1,746,062,000) in the consolidated statement of financial position.

		Attributable to ordinary equity holders of the Company									
	Notes	Issued capital HK$'000	Share premium account HK$'000	Share option reserve HK$'000	Capital reserve HK$'000	Statutory surplus reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2011		86,972	445,952	1,480	104,804	33,636	224,279	743,971	1,641,094	46,844	1,687,938
Profit for the year		–	–	–	–	–	–	114,587	114,587	12,645	127,232
Other comprehensive income for the year:											
Exchange differences on translation of foreign operations		–	–	–	–	–	100,729	–	100,729	2,383	103,112
Total comprehensive income for the year		–	–	–	–	–	100,729	114,587	215,316	15,028	230,344
Final 2010 dividend declared and paid		–	–	–	–	–	–	(23,488)	(23,488)	–	(23,488)
Dividend paid to a non-controlling shareholder		–	–	–	–	–	–	–	–	(597)	(597)
Issue of shares	30	20	112	–	–	–	–	–	132	–	132
Transfer to share premium account upon exercise of share options	30	–	41	(41)	–	–	–	–	–	–	–
Transfer to statutory surplus reserve		–	–	–	–	3,541	–	(3,541)	–	–	–
Transfer to retained profits		–	–	(1,149)	–	–	–	1,149	–	–	–
At 31 December 2011		86,992	446,105*	290*	104,804*	37,177*	325,008*	832,678*	1,833,054	61,275	1,894,329

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		122,322	154,584
Adjustments for:			
Share of profits less losses of a jointly-controlled entity		6,146	6,668
Share of profits less losses of associates		1,517	2,500
Bank interest income	5	(8,356)	(5,372)
Fair value losses/(gains), net:			
Equity investment at fair value through profit or loss	5	(437)	448
Derivative financial instruments – transactions not qualified as hedges but matured during the year	5	(6,469)	700
Derivative financial instruments – transactions not qualified as hedges and not yet matured	5	(37)	4,654
Finance costs	6	36,386	39,046
Amortisation of bank charges on a syndicated loan	6	7,097	2,480
Depreciation of items of property, plant and equipment	7	230,030	207,266
Amortisation of prepaid land lease payments	7	1,832	1,728
Loss/(gain) on disposal of items of property, plant and equipment	7	49	(89)
Impairment of accounts receivable	7	17,880	3,142
Write-off of accounts receivable	7	154	416
Write-back of impairment allowance for accounts receivable	7	(459)	(1,900)
Impairment of inventories	7	–	31,883
Loss/(gain) on disposal of subsidiaries	33	2,528	(12,797)
		410,183	435,357
Decrease in inventories		128,421	57,654
Decrease/(increase) in accounts and bills receivable		165,764	(303,864)
Increase in prepayments, deposits and other receivables		(9,418)	(19,760)
Decrease/(increase) in an amount due from a jointly-controlled entity		(21,795)	27,936
Increase/(decrease) in accounts and bills payable		(246,871)	58,788
Decrease in accrued liabilities and other payables		(7,650)	(92,081)
Proceeds from/(payments of) derivative financial instruments upon maturity – transactions not qualified as hedges		1,815	(9,253)
Cash generated from operations		420,449	154,777
Interest received	34(b)	11,869	1,859
Interest paid	34(d)	(35,195)	(40,286)
Interest element of finance lease rental payments		(1,191)	(587)
Hong Kong profits tax paid		(22,738)	(9,725)
Overseas taxes paid		(11,526)	(7,873)
Net cash flows from operating activities		361,668	98,165

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

Year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	34(a)	(436,101)	(214,051)
Prepayment of land leases	15	–	(8,419)
Proceeds from disposal of items of property, plant and equipment		2,280	111
Proceeds from disposal of a subsidiary, net of associated cost	33	8,251	166,841
Increase in an amount due to an associate		3,112	–
Increase in long term receivable		(15,387)	–
Decrease/(increase) in pledged time deposits		119,616	(34,375)
Net cash flows used in investing activities		(318,229)	(89,893)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase/(decrease) in bank advances for discounted bills		(114,783)	90,544
Proceeds from issue of shares	30	–	132
Capital element of finance lease rental payments		(25,998)	(18,291)
Drawdown of bank loans		2,550,538	2,856,085
Repayment of bank loans		(2,391,727)	(2,573,605)
Repayment of other loans		–	(108,920)
Repayment of loan from a non-controlling shareholder		–	(12,000)
Advance/(repayment) of loan from a shareholder of an associate		(77,800)	77,800
Dividend paid		(28,707)	(23,488)
Dividend paid to non-controlling shareholders		(13,422)	(597)
Net cash flows from/(used in) financing activities		(101,899)	287,660
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(58,460)	295,932
Cash and cash equivalents at beginning of year		553,108	252,355
Effect of foreign exchange rate changes, net		–	4,821
CASH AND CASH EQUIVALENTS AT END OF YEAR		494,648	553,108
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	494,648	538,326
Non-pledged time deposits with original maturity of less than three months when acquired		–	14,782
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		494,648	553,108

STATEMENT OF FINANCIAL POSITION

31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	17	**402,207**	402,207
CURRENT ASSETS			
Prepayments		**84**	92
Due from subsidiaries	17	**657,765**	754,856
Cash and cash equivalents	24	**4,931**	2,279
Total current assets		**662,780**	757,227
CURRENT LIABILITIES			
Accrued liabilities and other payables		**221**	560
Interest-bearing bank borrowings	27	**31,120**	62,240
Total current liabilities		**31,341**	62,800
NET CURRENT ASSETS		**631,439**	694,427
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,033,646**	1,096,634
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	27	**–**	31,120
Net assets		**1,033,646**	1,065,514
EQUITY			
Issued capital	30	**86,992**	86,992
Reserves	32(b)	**946,654**	978,522
Total equity		**1,033,646**	1,065,514

Tai Chin Chun
Director

Tai Chin Wen
Director

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 26 November 2003 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The principal place of business of the Company is located at Units 1-9, 8/F, Lucida Industrial Building, 43-47 Wang Lung Street, Tsuen Wan, New Territories, Hong Kong. The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 17 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the Year.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for an equity investment and derivative financial instruments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2012. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

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

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

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

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

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

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

The HKFRS 7 Amendments require additional disclosures about financial assets that have been transferred but not derecognised to enable users of the Group's financial statements to understand the relationship of those assets that have not been derecognised with their associated liabilities. In addition, the amendments require disclosures about the entity's continuing involvement in derecognised assets to enable users to evaluate the nature of, and risks associated with, such involvement. Details of the transfer transactions of financial assets are included in note 40 to the consolidated financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans* [2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* [2]
HKFRS 9	*Financial Instruments* [4]
HKFRS 10	*Consolidated Financial Statements* [2]
HKFRS 11	*Joint Arrangements* [2]
HKFRS 12	*Disclosure of Interests in Other Entities* [2]
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11, HKFRS 12 – *Transition Guidance* [2]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12, HKAS 27 (2011) – *Investment Entities* [3]
HKFRS 13	*Fair Value Measurement* [2]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income* [1]
HKAS 19 (2011)	*Employee Benefits* [2]
HKAS 27 (2011)	*Separate Financial Statements* [2]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures* [2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* [3]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine* [2]
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012 [2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have any significant impact on its results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39 *Financial Instruments: Recognition and Measurements*, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly-controlled entity

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's interest in a jointly-controlled entity is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of a jointly-controlled entity is included in the consolidated income statement and consolidated reserves, respectively. Where the profit sharing ratio is different to the Group's equity interest, the share of post-acquisition results of the jointly-controlled entity is determined based on the agreed profit sharing ratio. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entity are eliminated to the extent of the Group's interest in the jointly-controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Associate

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's interest in an associate is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and deferred tax assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land under finance leases	Over the lease terms
Buildings	5% or over the lease terms, whichever is shorter
Plant and machinery	10%
Furniture, fixtures and office equipment	20%
Motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sale proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Exploration licences and assets

Exploration licences and assets are stated at cost less impairment losses, if any. Exploration licences and assets include the cost of acquiring exploration licences, topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies, and expenditure incurred to secure further mineralisation in existing ore bodies and to expand the capacity of a mine.

Expenditure incurred prior to accruing legal rights to explore an area is written off as incurred.

When it can be reasonably ascertained that an exploration property is capable of commercial production, exploration and evaluation costs capitalised are transferred to either mining infrastructure or mining rights and reserves and depreciated/amortised by the appropriate method based on the proven and probable mineral reserves. Exploration licences and assets are written off to the income statement if the exploration property is abandoned.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as either financial assets at fair value through profit or loss, or loans and receivables, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, pledged deposits, accounts and bills receivable, other receivables, an amount due from jointly-controlled entity, an equity investment at fair value through profit or loss and derivative financial instruments.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the income statement. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policy set out for "Revenue recognition" below.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify them. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation and the loss arising from impairment are recognised in the income statement.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, or loans and borrowings, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include accounts and bills payable, accrued liabilities and other payables, interest-bearing bank and other borrowings, bank advances for discounted bills, derivative financial instruments, an amount due to an associate and loan from a shareholder of an associate.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interest charged on these financial liabilities.

Loans and borrowings

After initial recognition, interest-bearing loans and other borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current and non-current portions only if a reliable allocation can be made.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in "Finance costs" in the income statement.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, an associate and a jointly-controlled entity, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, an associate and a jointly-controlled entity, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(ii) from the rendering of services, when the relevant services have been rendered;

(iii) rental income, on a time proportion basis over the lease terms;

(iv) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset; and

(v) dividend income, when the shareholders' right to receive payment has been established.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external professionally qualified valuer using the Binomial/Black-Scholes option pricing models, further details of which are given in note 31 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Pension schemes and other retirement benefits

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Staff benefits are also provided to the staff working in other countries according to the respective countries' statutory requirements.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e. translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or income statement is also recognised in other comprehensive income or income statement, respectively).

The functional currencies of certain overseas subsidiaries and a jointly-controlled entity are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in a separate component of equity. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Research and development costs

All research costs are charged to the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately, the Group accounts for the portions separately. If these portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Otherwise, the property is classified as an owner-occupied property.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Impairment of assets

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by the management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Withholding taxes arising from the distributions of dividends

The Group's determination as to whether to accrue for withholding taxes arising from the distributions of dividends from certain subsidiaries according to the relevant tax jurisdictions is subject to judgement on the timing of the payment of the dividend. The Group considered that if the profits will not be distributed in the foreseeable future, then no withholding taxes should be provided.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, which may cause an adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment allowance for accounts and bills receivable

The Group makes impairment allowance for accounts and bills receivable based on an assessment of the recoverability of accounts and bills receivable. Allowances are applied to accounts and bills receivable where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of accounts and bills receivable and impairment allowance for accounts and bills receivable in the year in which such estimate has been changed.

4. 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.

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2012

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

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

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2011

	Fabric HK$'000	Garment HK$'000	Others HK$'000	Total HK$'000
Segment revenue:				
Revenue from external customers	3,816,115	249,240	–	4,065,355
Intersegment revenue	69,045	–	–	69,045
	3,885,160	249,240	–	4,134,400
Elimination of intersegment revenue				(69,045)
Total revenue				4,065,355
Segment profits	169,827	16,913	369	187,109
Gain on disposal of a subsidiary	–	–	12,797	12,797
Bank interest income	5,348	24	–	5,372
Finance costs	(41,157)	(227)	(142)	(41,526)
Share of profits less losses of a jointly-controlled entity	(6,668)	–	–	(6,668)
Share of profits less losses of associates	–	–	(2,500)	(2,500)
Profit before tax	127,350	16,710	10,524	154,584
Income tax expense	(26,147)	(1,160)	(45)	(27,352)
Profit for the year	101,203	15,550	10,479	127,232
Assets and liabilities				
Segment assets	4,116,704	121,686	3,570	4,241,960
Interest in a jointly-controlled entity	33,041	–	–	33,041
Interest in an associate	–	–	48,848	48,848
Deferred tax assets	5,020	–	–	5,020
Total assets	4,154,765	121,686	52,418	4,328,869
Segment liabilities	2,385,973	39,304	8,566	2,433,843
Deferred tax liabilities	697	–	–	697
Total liabilities	2,386,670	39,304	8,566	2,434,540
Other segment information:				
Depreciation and amortisation	204,450	4,535	9	208,994
Loss/(gain) on disposal of items of property, plant and equipment	(111)	22	–	(89)
Impairment of accounts receivable	3,142	–	–	3,142
Write-off of accounts receivable	416	–	–	416
Write-back of impairment allowance for accounts receivable	(1,900)	–	–	(1,900)
Impairment of inventories	31,883	–	–	31,883
Capital expenditure*	231,848	242	51,748	283,838

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

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

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

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

(b) Non-current assets

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

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

Information about a major customer

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

During the year ended 31 December 2011, revenue of approximately HK$434,407,000 was derived from sales by the fabric products segment and subcontracting services by the garment products segment to a single customer, including sales to a group of entities which are known to be under common control with that customer.

5. REVENUE, OTHER INCOME AND GAINS, NET

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and services rendered by the Group.

An analysis of the revenue, other income and gains, net, is as follows:

	Note	2012 HK$'000	2011 HK$'000
Revenue			
Production and sale of knitted fabric, dyed yarn and provision of related subcontracting services		3,745,038	3,816,115
Production and sale of garment products and provision of related subcontracting services		355,122	249,240
		4,100,160	4,065,355
Other income			
Fee income from freight handling services		6,019	4,830
Bank interest income		8,356	5,372
Gross rental income		255	497
Others		20,217	19,571
		34,847	30,270
Gains, net			
Fair value gains/(losses), net:			
Equity investment at fair value through profit or loss – held for trading	7	437	(448)
Derivative financial instruments – transactions not qualified as hedges but matured during the year	7	6,469	(700)
Derivative financial instruments – transactions not qualified as hedges and not yet matured	7	37	(4,654)
		6,943	(5,802)
Other income and gains, net		41,790	24,468

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Group 2012 HK$'000	2011 HK$'000
Interest on bank loans and overdrafts wholly repayable within five years	35,195	38,188
Interest on finance leases	1,191	587
Interest on other loans	–	271
Amortisation of bank charges on a syndicated loan	7,097	2,480
	43,483	41,526

7. PROFIT BEFORE TAX

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

	Notes	2012 HK$'000	2011 HK$'000
Cost of inventories sold and services provided		3,431,315	3,475,905
Auditors' remuneration		2,530	2,330
Research and development costs		6,900	6,301
Depreciation of items of property, plant and equipment	14	230,030	207,266
Amortisation of prepaid land lease payments	15	1,832	1,728
Employee benefits expense (excluding directors' remuneration – note 8):			
Wages and salaries		397,733	342,930
Pension scheme contributions		22,742	19,081
		420,475	362,011
Minimum lease payments under operating leases in respect of land and buildings		8,759	7,241
Loss/(gain) on disposal of items of property, plant and equipment*		49	(89)
Impairment of accounts receivable*	22	17,880	3,142
Write-off of accounts receivable*		154	416
Write-back of impairment allowance for accounts receivable*	22	(459)	(1,900)
Impairment of inventories		–	31,883
Loss on disposal of subsidiaries*	33(a)	2,528	–
Fair value losses/(gains), net:			
Equity investment at fair value through profit or loss – held for trading		(437)	448
Derivative financial instruments – transactions not qualified as hedges but matured during the year		(6,469)	700
Derivative financial instruments – transactions not qualified as hedges and not yet matured		(37)	4,654
Foreign exchange differences, net*		(5,291)	(11,769)
Subsidy income from the People's Republic of China (the "PRC") government		(1,709)	(2,381)

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

7. PROFIT BEFORE TAX (continued)

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

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

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

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2012 HK$'000	2011 HK$'000
Fees	**720**	795
Other emoluments:		
Salaries, allowances and benefits in kind	**17,225**	14,505
Discretionary bonuses	**1,258**	2,600
Pension scheme contributions	**83**	72
	18,566	17,177
	19,286	17,972

8. DIRECTORS' REMUNERATION (continued)

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2012					
Executive directors:					
Tai Chin Chun	–	4,940	380	14	5,334
Tai Chin Wen^	–	4,030	310	14	4,354
Cheung So Wan	–	2,340	180	14	2,534
Wong Siu Yuk	–	2,340	180	14	2,534
Chong Chau Lam	–	1,820	140	14	1,974
Wong Wai Kong, Elmen	–	1,755	68	13	1,836
Independent non-executive directors:					
Chu Hak Ha, Mimi	240	–	–	–	240
Chan Yuk Tong, Jimmy	240	–	–	–	240
Ho Gilbert Chi Hang	240	–	–	–	240
Total	720	17,225	1,258	83	19,286

8. DIRECTORS' REMUNERATION (continued)

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2011					
Executive directors:					
Tai Chin Chun	–	4,160	960	12	5,132
Tai Chin Wen^	–	3,380	780	12	4,172
Cheung So Wan	–	1,710	395	12	2,117
Wong Siu Yuk	–	1,710	395	12	2,117
Chong Chau Lam	–	1,805	70	12	1,887
Wong Wai Kong, Elmen	–	1,740	–	12	1,752
Non-executive director:					
Lee Cheuk Yin, Dannis	255	–	–	–	255
Independent non-executive directors:					
Chu Hak Ha, Mimi	180	–	–	–	180
Chan Yuk Tong, Jimmy	180	–	–	–	180
Ho Gilbert Chi Hang	180	–	–	–	180
Total	795	14,505	2,600	72	17,972

^ Tai Chin Wen is also the chief executive officer of the Group.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included five (2011: five) directors, details of whose remuneration are set out in note 8 above.

During the year, no emoluments were paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

10. INCOME TAX

	Group	
	2012	2011
	HK$'000	HK$'000
Current tax – Hong Kong		
Charge for the year	**8,796**	13,060
Overprovision in prior years	**(1,359)**	(2,229)
Current tax – Elsewhere		
Charge for the year	**6,227**	18,297
Underprovision in prior years	**32**	56
Deferred tax credit (note 29)	**(760)**	(1,832)
Total tax charge for the year	**12,936**	27,352

Hong Kong profits tax has been provided on the estimated assessable profits arising in Hong Kong at the rate of 16.5% (2011: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

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

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

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

10. INCOME TAX (continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions/countries in which the Company and the majority of its subsidiaries, a jointly-controlled entity and an associate operate to the tax expense at the effective tax rates is as follows:

Group – 2012

	Hong Kong HK$'000	Mainland China HK$'000	Others HK$'000	Total HK$'000
Profit before tax	34,018	74,475	13,829	122,322
Tax at the statutory tax rate	5,613	18,618	1,402	25,633
Lower tax rate enacted by local authority	–	(144)	–	(144)
Lower tax rate due to tax holiday	–	–	(1,359)	(1,359)
Profits less losses attributable to a jointly-controlled entity and an associate	1,264	–	–	1,264
Adjustments in respect of current tax of prior years	(1,359)	–	32	(1,327)
Income not subject to tax	(831)	(15,808)	(27)	(16,666)
Expenses not deductible for tax	1,365	1,026	70	2,461
Tax losses not recognised	–	1,551	–	1,551
Others	1,421	102	–	1,523
Tax charge at the Group's effective rate	7,473	5,345	118	12,936

10. INCOME TAX (continued)

Group – 2011

	Hong Kong HK$'000	Mainland China HK$'000	Others HK$'000	Total HK$'000
Profit before tax	65,716	64,931	23,937	154,584
Tax at the statutory tax rate	10,843	16,233	2,383	29,459
Lower tax rate enacted by local authority	–	(5,059)	–	(5,059)
Lower tax rate due to tax holiday	–	–	(2,402)	(2,402)
Profits less losses attributable to a jointly-controlled entity and associates	1,512	–	–	1,512
Adjustments in respect of current tax of prior years	(2,229)	60	(4)	(2,173)
Income not subject to tax	(1,539)	(7,468)	–	(9,007)
Expenses not deductible for tax	2,181	8,604	70	10,855
Tax losses not recognised	–	3,502	–	3,502
Others	76	589	–	665
Tax charge at the Group's effective rate	10,844	16,461	47	27,352

The share of tax attributable to a jointly-controlled entity amounting to nil (2011: share of tax credit of HK$943,000), and is included in "Share of profits less losses of a jointly-controlled entity" in the consolidated income statement.

11. PROFIT ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to ordinary equity holders of the Company for the year ended 31 December 2012 includes a loss of HK$3,161,000 (2011: HK$4,465,000) which has been dealt with in the financial statements of the Company (note 32(b)).

12. DIVIDEND

The proposed final dividend for the year of HK2.7 cents (2011: HK3.3 cents) per ordinary share, in aggregate of approximately HK$23.5 million (2011: approximately HK$28.7 million), is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. These financial statements do not reflect the final dividend payable.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK$100,884,000 (2011: HK$114,587,000), and the number of 869,919,000 (2011: weighted average of 869,917,904) ordinary shares in issue during the year.

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

For the year ended 31 December 2011, the calculation of diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK$114,587,000. The weighted average number of ordinary shares used in the calculation is the weighted average number of ordinary shares in issue during the year ended 31 December 2011, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

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

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

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2012						
Cost:						
At 1 January 2012	381,224	2,138,586	69,941	35,173	182,211	2,807,135
Additions	–	208,112	6,510	3,222	286,804	504,648
Disposals	–	(2,755)	(229)	(1,075)	–	(4,059)
Disposal of subsidiaries (Note 33(a))	(8,379)	(12,281)	(1,118)	(851)	–	(22,629)
Transfers	13,834	215,038	1,467	–	(230,339)	–
At 31 December 2012	386,679	2,546,700	76,571	36,469	238,676	3,285,095
Accumulated depreciation:						
At 1 January 2012	110,566	991,732	59,968	22,439	–	1,184,705
Charge for the year	19,042	202,876	3,704	4,408	–	230,030
Disposals	–	(611)	(60)	(1,059)	–	(1,730)
Disposal of subsidiaries (Note 33(a))	(2,409)	(3,995)	(964)	(841)	–	(8,209)
At 31 December 2012	127,199	1,190,002	62,648	24,947	–	1,404,796
Net book value: At 31 December 2012	259,480	1,356,698	13,923	11,522	238,676	1,880,299
31 December 2011						
Cost:						
At 1 January 2011	358,417	1,916,957	62,381	27,289	59,323	2,424,367
Additions	–	38,304	3,817	5,279	176,282	223,682
Disposals	–	(1,644)	(48)	–	–	(1,692)
Transfers	1,135	60,808	644	1,525	(64,112)	–
Exchange realignment	21,672	124,161	3,147	1,080	10,718	160,778
At 31 December 2011	381,224	2,138,586	69,941	35,173	182,211	2,807,135
Accumulated depreciation:						
At 1 January 2011	86,343	753,185	54,363	18,148	–	912,039
Charge for the year	17,958	182,777	2,941	3,590	–	207,266
Disposals	–	(1,644)	(26)	–	–	(1,670)
Exchange realignment	6,265	57,414	2,690	701	–	67,070
At 31 December 2011	110,566	991,732	59,968	22,439	–	1,184,705
Net book value: At 31 December 2011	270,658	1,146,854	9,973	12,734	182,211	1,622,430

14. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group's land and buildings were held under the following lease terms:

	2012 HK$'000	2011 HK$'000
Medium-term leases		
– in Hong Kong	**2,247**	2,453
– outside Hong Kong	**257,233**	268,205
	259,480	270,658

The net carrying amounts of the Group's items of property, plant and equipment held under finance leases included in the total amounts of plant and machinery and motor vehicles were as follows:

	2012 HK$'000	2011 HK$'000
Plant and machinery	**90,564**	43,940
Motor vehicles	**733**	1,368
	91,297	45,308

As at 31 December 2012, the Group was in the process of applying the building ownership certificates in respect of certain self-used properties with net book value of HK$12.5 million (2011: HK$13.4 million) and HK$69.5 million (2011: HK$97.7 million) situated in Panyu, the PRC and En Ping, the PRC, respectively. The Company's directors confirmed that, based on the advice from the Company's legal counsel, as the Group has properly obtained the land use right certificates in respect of the land on which the aforementioned self-used properties are located, and therefore are in the opinion that there is no legal barrier or otherwise for the Group to obtain the building ownership certificates from the relevant Mainland China authority.

15. PREPAID LAND LEASE PAYMENTS

	Group	
	2012	2011
	HK$'000	HK$'000
Carrying amount at 1 January	**73,944**	62,964
Additions during the year	**–**	8,419
Amortised during the year	**(1,832)**	(1,728)
Disposal of subsidiaries (Note 33(a))	**(1,028)**	–
Exchange realignment	**–**	4,289
Carrying amount at 31 December	**71,084**	73,944
Current portion included in prepayments, deposits and other receivables	**(1,823)**	(1,835)
Non-current portion	**69,261**	72,109
The Group's prepaid land lease payments comprise:		
Land outside Hong Kong:		
Long-term lease	**–**	1,037
Medium-term leases	**71,084**	72,907
	71,084	73,944

16. INTANGIBLE ASSETS

Group

	Exploration licences and assets	
	2012	2011
	HK$'000	HK$'000
Cost at 1 January, net of accumulated amortisation	**–**	–
Amortisation provided during the year	**–**	–
Impairment during the year	**–**	–
At 31 December	**–**	–
At 31 December:		
Cost	**3,575**	3,575
Accumulated amortisation and impairment	**(3,575)**	(3,575)
Net carrying amount	**–**	–

During the year ended 31 December 2010, an impairment loss of HK$2,319,000 was recognised as the directors considered the recoverable amount of the intangible assets through use was minimal.

17. INTERESTS IN SUBSIDIARIES

	Company 2012 HK$'000	Company 2011 HK$'000
Unlisted investments, at cost	**402,207**	402,207

The amounts due from subsidiaries included in the Company's current assets are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ paid-up capital	Percentage of equity attributable to the Company 2012	Percentage of equity attributable to the Company 2011	Principal activities
Directly held:					
Joint Result Holdings Limited ("Joint Result")*	BVI/ Hong Kong	US$10,000	**100**	100	Investment holding
Indirectly held:					
Highkeen Enterprises Limited*	BVI/ Hong Kong	US$1,000	**100**	100	Investment holding
Kam Hing Textile (International) Limited ("KH Textile")	Hong Kong	Ordinary HK$2 Non-voting deferred HK$10,000,000 (Note (a))	**100**	100	Investment holding
Strong View International Limited*	BVI/ Hong Kong	US$400,000	**65**	65	Investment holding and provision of customer services
Kam Wing International Textile Company Limited	Hong Kong	HK$107,500,000	**60**	60	Investment holding and trading of finished fabrics
Guangzhou Kwok Hing Garment Limited ("Kwok Hing GZ")*	PRC/ Mainland China	HK$10,000,000 (Note (b))	**100**	100	Manufacture and trading of garment products
Kam Hing Madagascar* ("KH Madagascar")	Madagascar	Malagasy Ariary ("MGA") 10,000,000	**– (Note (j))**	100	Manufacture and trading of garment products

17. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ paid-up capital	Percentage of equity attributable to the Company 2012	2011	Principal activities
Indirectly held: (continued)					
Kwok Hing Garment Madagascar*	Madagascar	MGA100,000,000	**100**	100	Manufacture and trading of garment products
Jiangmen Yingxing Garment Limited ("Yingxing")*	PRC/ Mainland China	HK$25,000,000 (Note (c))	**100**	100	Manufacture and trading of garment products
En Ping KH*	PRC/ Mainland China	US$49,809,000 (2011: US$11,822,000) (Note (d))	**100**	100	Manufacture and trading of knitted and dyed fabrics
En Ping KL*	PRC/ Mainland China	US$15,730,000 (2011: US$12,420,000) (Note (e))	**60**	60	Manufacture and trading of knitted and dyed fabrics
Guangzhou Kam Sing Textile and Dyeing Co. Ltd. ("Kam Sing")*	PRC/ Mainland China	HK$6,000,000 (Note (f))	**100**	100	Manufacture and trading of knitted and dyed fabrics
Guangzhou Kamhing Textile Dyeing Co., Ltd. ("Guangzhou KH")*	PRC/ Mainland China	US$133,610,000 (2011: US$117,610,000) (Note (g))	**100**	100	Manufacture and trading of knitted and dyed fabrics
Sparkle Logistics Limited	Hong Kong	HK$3,800,000	**92**	92	Provision of air and ocean freight services
Kam Hing Korea Limited*	Korea	WON50,000,000	**65**	65	Provision of customer services
Kam Hing Piece Works (S) Pte Limited*	Singapore	S$100,000	**100**	100	Provision of customer services

17. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ paid-up capital	Percentage of equity attributable to the Company 2012	2011	Principal activities
Indirectly held: (continued)					
Guangzhou Kam Yam Garment Design Co. Ltd. ("Kam Yam")*	PRC/ Mainland China	HK$400,000 (Note (h))	100	100	Provision of knitting and dyeing services and trading of finished fabrics
Guangzhou Gong Zhan Plastic Products Limited ("Gong Zhan")*	PRC/ Mainland China	HK$500,000 (Note (i))	100	100	Manufacture and trading of plastic products
Kam Hing Textile Macao Commercial Offshore Company Limited	Macau	Pataca 100,000	100	100	Sourcing agent and trading of yarns and dyeing materials
Kam Hing Piece Works Limited ("KH Piece Works")	Hong Kong	Ordinary HK$2 Non-voting deferred HK$1,000,010 (Note (a))	100	100	Trading of finished fabrics
Kam Hing Global Garment Company Limited	Hong Kong	HK$10,000,000	100	100	Trading of garment products

Notes:

(a) The non-voting deferred shares do not entitle the holders thereof to receive notice of or to attend or vote at any general meeting of KH Textile and KH Piece Works. The holders of the non-voting deferred shares are not entitled to any dividends of KH Textile and KH Piece Works. On a winding-up, the holders of the non-voting deferred shares are entitled, out of the surplus assets of KH Textile and KH Piece Works, to a return of the capital paid up on the non-voting deferred shares held by them to one half of the balance after a total sum of HK$100,000,000,000,000 has been distributed in such winding-up in respect of the ordinary shares of KH Textile and KH Piece Works .

(b) Kwok Hing GZ is registered as a wholly-foreign-owned enterprise under the PRC law with an operating period of 20 years commencing from 30 March 2007.

(c) Yingxing is registered as a wholly-foreign-owned enterprise under the PRC law with an operating period of 20 years commencing from 7 September 2010. The registered capital of Yingxing amounted to HK$30,000,000 and the remaining unpaid capital contribution of HK$5,000,000 (2011: HK$5,000,000) was included as commitments at 31 December 2012 as disclosed in note 37 to the financial statements.

17. INTERESTS IN SUBSIDIARIES (continued)

Notes: (continued)

(d) En Ping KH is registered as a wholly-foreign-owned enterprise under the PRC law with an operating period of 20 years commencing from 27 April 2005. The registered capital of En Ping KH amounted to US$75,000,000, of which US$49,809,000 (2011: US$11,822,000) was paid up as at 31 December 2012. The remaining unpaid capital contribution of US$25,191,000 (2011: US$63,178,000) (equivalent to approximately HK$195,986,000 (2011: HK$491,525,000)) was included as commitments at 31 December 2012 as disclosed in note 37 to the financial statements.

(e) En Ping KL is registered as a wholly-foreign-owned enterprise under the PRC law with an operating period of 20 years commencing from 8 June 2007. The registered capital of En Ping KL amounted to US$20,000,000, of which US$15,730,000 (2011: US$12,420,000) was paid up as at 31 December 2012. The remaining unpaid capital contribution of US$4,270,000 (2011: US$7,580,000) (equivalent to approximately HK$33,221,000 (2011: HK$58,972,000)) was included as commitments at 31 December 2012 as disclosed in note 37 to the financial statements.

(f) Kam Sing is registered as a wholly-foreign-owned enterprise under the PRC law with an operating period of 20 years commencing from 2 January 2004.

(g) Guangzhou KH is registered as a wholly-foreign-owned enterprise under the PRC law with an operating period of 25 years commencing from 26 March 1992. The registered capital of Guangzhou KH increased from US$127,610,000 to US$152,610,000 during the year ended 31 December 2012, of which US$133,610,000 (2011: US$117,610,000) was paid up as at 31 December 2012. The remaining unpaid capital contribution of US$19,000,000 (2011: US$10,000,000) (equivalent to approximately HK$147,820,000 (2011: HK$77,800,000)) was included as commitments at 31 December 2012 as disclosed in note 37 to the financial statements.

(h) Kam Yam is registered as a wholly-foreign-owned enterprise under the PRC law with an operating period of 20 years commencing from 14 November 2007.

(i) Gong Zhan is registered as a wholly-foreign-owned enterprise under the PRC law with an operating period of 20 years commencing from 28 July 2009.

(j) On 1 October 2012, the Group entered into a disposal agreement with an independent third party (the "Purchaser") pursuant to which the Group disposed of 100% equity interest in Quick Grow Investments Limited ("Quick Grow") and its wholly-owned subsidiary, KH Madagascar (the "Disposal of Quick Grow"). The Disposal of Quick Grow was completed on 1 October 2012. Further details of the transaction are included in note 33(a) to the financial statements.

* The statutory financial statements of these subsidiaries are not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

18. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	Group 2012 HK$'000	Group 2011 HK$'000
Share of net assets	**26,895**	33,041

The amount due from the jointly-controlled entity included in the Group's current assets of HK$36,300,000 (2011: HK$14,505,000) represents accounts receivable of HK$34,545,000 (2011: HK$13,468,000), which is unsecured, interest-free and repayable within one month, and prepayments for purchases of HK$1,755,000 (2011: HK$1,037,000), which are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the jointly-controlled entity are as follows:

Name	Particulars of registered shares	Place of registration and operations	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Honghu Xing Ye Textile Co Ltd. ("Honghu")	Registered share capital of Renminbi ("RMB") 130,000,000	PRC/ Mainland China	25	40	25	Manufacture and trading of cotton spinning

Honghu is not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

The following table illustrates the summarised financial information of the Group's jointly-controlled entity:

	2012 HK$'000	2011 HK$'000
Share of the jointly-controlled entity's assets and liabilities:		
Non-current assets	**24,504**	27,850
Current assets	**24,472**	21,695
Current liabilities	**(21,664)**	(16,504)
Non-current liability	**(417)**	–
Net assets	**26,895**	33,041
Share of the jointly-controlled entity's results:		
Revenue	**37,628**	51,861
Total expenses	**(43,774)**	(59,472)
Tax	**–**	943
Loss after tax	**(6,146)**	(6,668)

19. INTEREST IN AN ASSOCIATE

	Group 2012 HK$'000	Group 2011 HK$'000
Share of net assets	**47,331**	48,848

The amount due to an associate included in the Group's current liabilities is unsecured, interest-free and has no fixed terms of repayment.

Kam Hing International Limited ("Kam Hing International"), a former wholly-owned subsidiary of the Group, held the amount due to an associate and the advance to an associate as at 31 December 2010. During the year ended 31 December 2011, the Group disposed of 75% equity interest in Kam Hing International and assigned 75% of the amount due from Kam Hing International to the Group of HK$206,948,000 (note 33(b)) to the Purchaser for a total consideration of US$30,000,000 (HK$233,400,000 equivalent) (the "Disposal of Kam Hing International"). Upon completion of the Disposal of Kam Hing International, Kam Hing International was classified as an associate of the Group.

Particulars of the associate are as follows:

Name	Particulars of issued shares held	Place of incorporation	Percentage of ownership interest attributable to the Group 2012	Percentage of ownership interest attributable to the Group 2011	Principal activity
Kam Hing International *	Ordinary shares of US$1 each	BVI	**25**	25	Investment holding

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

As at 31 December 2012, the Group's shareholding in Kam Hing International is held through a wholly-owned subsidiary of the Company.

The following table illustrates the summarised financial information of the Group's associate extracted from its management accounts:

	Group 2012 HK$'000	Group 2011 HK$'000
Assets	**190,600**	196,954
Liabilities	**(2,165)**	(1,866)
Loss	**(6,653)**	(10,209)

20. DEPOSITS PAID

	Group 2012 HK$'000	Group 2011 HK$'000
Deposits paid for acquisition of:		
Property, plant and equipment	**4,703**	5,528
Land use rights	**22,025**	22,025
	26,728	27,553

21. INVENTORIES

	Group 2012 HK$'000	Group 2011 HK$'000
Raw materials	**459,822**	588,441
Work in progress	**153,452**	177,505
Finished goods	**157,285**	133,065
	770,559	899,011

22. ACCOUNTS AND BILLS RECEIVABLE

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

The Group's trading terms with its customers are generally on credit with terms of up to two months and are non-interest-bearing (except for certain well-established customers with strong financial strength, good repayment history and credit worthiness, where the credit terms are extended to four months). The Group seeks to maintain strict control over its outstanding receivable and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's accounts and bills receivable relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its accounts and bills receivable balances.

22. ACCOUNTS AND BILLS RECEIVABLE (continued)

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

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

Included in the above accounts and bills receivable as at 31 December 2012, nil (2011: HK$114,783,000) were discounted to banks in exchange for cash and included as "Bank advances for discounted bills" on the face of the consolidated statement of financial position.

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

	Group	
	2012 **HK$'000**	2011 HK$'000
At 1 January	**6,141**	9,462
Impairment losses recognised (note 7)	**17,880**	3,142
Write-back of impairment losses (note 7)	**(459)**	(1,900)
Write-off as uncollectible	**(472)**	(4,563)
At 31 December	**23,090**	6,141

Included in the above impairment allowance for accounts and bills receivable is an allowance for individually impaired accounts receivable in aggregate of HK$23,090,000 (2011: HK$6,141,000) with a carrying amount before impairment allowance in aggregate of HK$39,945,000 (2011: HK$6,141,000). The individually impaired accounts receivable relate to customers that were in default or delinquency in payments.

22. ACCOUNTS AND BILLS RECEIVABLE (continued)

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

	Group	
	2012 HK$'000	2011 HK$'000
Neither past due nor impaired	358,339	631,359
Less than 1 month past due	227,032	159,637
1 to 6 months past due	102,111	79,478
Over 6 months past due	1,642	1,989
	689,124	872,463

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

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

23. EQUITY INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2012 HK$'000	2011 HK$'000
Equity investment listed outside Hong Kong, at market value	596	159

The above equity investment was classified as held for trading at 31 December 2012 and 2011.

24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

		Group		Company	
	Note	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Cash and bank balances		**494,648**	538,326	**4,931**	2,279
Time deposits		**2,174**	136,572	**–**	–
		496,822	674,898	**4,931**	2,279
Less: Pledged time deposits for banking facilities	27	**(2,174)**	(121,790)	**–**	–
Cash and cash equivalents		**494,648**	553,108	**4,931**	2,279

As at 31 December 2012, the cash and bank balances of the Group denominated in RMB amounted to approximately HK$137,458,000 (2011: HK$241,573,000). RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

25. ACCOUNTS AND BILLS PAYABLE

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

	Group	
	2012 HK$'000	2011 HK$'000
Within 3 months	**499,108**	702,965
3 to 6 months	**58,828**	106,749
Over 6 months	**3,687**	3,106
	561,623	812,820

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

26. DERIVATIVE FINANCIAL INSTRUMENTS

Group	Assets 2012 HK$'000	Assets 2011 HK$'000	Liabilities 2012 HK$'000	Liabilities 2011 HK$'000
Forward currency contracts	**69**	1,960	**32**	6,184
Interest rate swaps	**–**	–	**–**	430
	69	1,960	**32**	6,614

The Group has entered into various forward currency contracts and interest rate swaps to manage its exchange rate and interest rate exposures. These forward currency contracts and interest rate swaps are not designated for hedge purposes and are measured at fair value through profit or loss. Changes in the fair value of non-hedging currency derivatives, net, amounting to HK$6,506,000 (2011: loss of HK$5,354,000) were credited to the income statement during the year.

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	2012 Effective interest rate (%)	2012 Maturity	2012 HK$'000	2011 Effective interest rate (%)	2011 Maturity	2011 HK$'000
Current (Note)						
Finance lease payables (note 28)	**1.7 to 3.4**	**2013**	**41,414**	1.6 to 8.4	2012	17,026
Bank loans – unsecured	**Weighted average of HIBOR/LIBOR/ SIBOR + 1.5 to 3.1**	**2013**	**848,166**	Weighted average of HIBOR/LIBOR/ SIBOR/PBOC + 1.15 to 3	2012	474,487
			889,580			491,513
Non-current						
Finance lease payables (note 28)	**2.4 to 3.4**	**2014–2017**	**24,920**	2.3 to 3.3	2013–2014	6,759
Bank loans – unsecured	**Weighted average of HIBOR/LIBOR + 1.5 to 3.1**	**2014–2019**	**538,245**	Weighted average of HIBOR/LIBOR + 2.25 to 3	2013–2015	746,016
			563,165			752,775
			1,452,745			1,244,288

27. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

	Group	
	2012	2011
	HK$'000	HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand (Note)	**848,166**	474,487
In the second year	**341,076**	236,682
In the third to fifth years, inclusive	**180,042**	509,334
After five years	**17,127**	–
	1,386,411	1,220,503
Finance lease payables:		
Within one year or on demand (Note)	**41,414**	17,026
In the second year	**16,171**	4,587
In the third to fifth years, inclusive	**8,749**	2,172
	66,334	23,785
	1,452,745	1,244,288

Note: For the purpose of the above analysis, the Group's bank loans in the amount of HK$5,282,000 (2011: HK$7,794,000) and finance lease payables in the amount of HK$11,634,000 (2011: HK$220,000) containing a repayment on demand clause are included within current interest-bearing bank and other borrowings and analysed into bank loans and finance lease payables within one year or on demand, respectively.

Based on the maturity terms of the bank loans, the amounts repayable in respect of the bank loans are: HK$842,884,000 (2011: HK$466,693,000) payable within one year or on demand; HK$343,672,000 (2011: HK$239,195,000) payable in the second year; and HK$182,728,000 (2011: HK$514,615,000) payable in the third to fifth years inclusive; and HK$17,127,000 (2011: Nil) payable after five years.

Based on the maturity terms of the finance lease payables, the amounts repayable in respect of the finance lease payables are: HK$29,780,000 (2011: HK$16,806,000) payable within one year; HK$19,410,000 (2011: HK$4,807,000) payable in the second year; and HK$17,144,000 (2011: HK$2,172,000) payable in the third to fifth years, inclusive.

27. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

Company

	2012			2011		
	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000
Current						
Bank loan – unsecured	LIBOR+3	2013	31,120	LIBOR+3	2012	62,240
Non-current						
Bank loan – unsecured	–	–	–	LIBOR+3	2013	31,120
			31,120			93,360

	Company 2012 HK$'000	Company 2011 HK$'000
Analysed into:		
Bank loan repayable:		
Within one year or on demand	31,120	62,240
In the second year	–	31,120
	31,120	93,360

As at 31 December 2012, the banking facilities of the Group were secured by the Group's pledged bank deposits of HK$2,174,000 (2011: HK$121,790,000) (note 24), and were supported by corporate guarantees executed by the Company and certain subsidiaries of the Company.

As at 31 December 2012, the finance lease payables were supported by corporate guarantees executed by the Company and/or certain subsidiaries of the Company and the underlying property, plant and equipment (note 28).

As at 31 December 2012, except for the bank loans of nil (2011: HK$12,917,000) and HK$517,239,000 (2011: HK$352,719,000) which were denominated in Singapore dollar and US$, respectively, all borrowings were denominated in Hong Kong dollars.

28. FINANCE LEASE PAYABLES

The Group leases certain of its plant and machinery, and motor vehicles for its business operation (note 14). These leases are classified as finance leases and have remaining lease terms ranging from one to five years.

At 31 December 2012, the total future minimum lease payments under finance leases and their present values were as follows:

Group

	Minimum lease payments		Present value of minimum lease payments	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Amounts payable:				
Within one year	**43,692**	17,443	**41,414**	17,026
In the second year	**16,741**	4,703	**16,171**	4,587
In the third to fifth years, inclusive	**8,852**	2,194	**8,749**	2,172
Total minimum finance lease payments	**69,285**	24,340	**66,334**	23,785
Future finance charges	**(2,951)**	(555)		
Total net finance lease payables	**66,334**	23,785		
Portion classified as current liabilities (Note) (note 27)	**(41,414)**	(17,026)		
Non-current portion (note 27)	**24,920**	6,759		

At 31 December 2012, the finance lease payables were supported by corporate guarantees executed by the Company and/or certain subsidiaries of the Company and the underlying property, plant and equipment.

Note: For the purpose of the above analysis, the Group's finance lease payables in the amount of HK$11,634,000 (2011: HK$220,000) containing a repayment on demand clause are included within current interest-bearing bank and other borrowings and analysed into finance lease payables within one year or on demand. Further details are given in note 27.

29. DEFERRED TAX

The movements in deferred tax liabilities and assets of the Group during the year were as follows:

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation	
	2012 **HK$'000**	2011 HK$'000
At 1 January	**697**	684
Deferred tax charged to the income statement during the year (note 10)	**55**	11
Exchange realignment	**–**	2
At 31 December	**752**	697

Deferred tax assets

	Losses available for offsetting against future taxable profits		Deductible temporary difference		Total	
	2012 **HK$'000**	2011 HK$'000	**2012** **HK$'000**	2011 HK$'000	**2012** **HK$'000**	2011 HK$'000
At 1 January	**–**	–	**5,020**	2,881	**5,020**	2,881
Deferred tax credited to the income statement during the year (note 10)	**815**	–	**–**	1,843	**815**	1,843
Exchange realignment	**–**	–	**–**	296	**–**	296
At 31 December	**815**	–	**5,020**	5,020	**5,835**	5,020

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. At 31 December 2012, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries and jointly-controlled entity established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries and the jointly-controlled entity will distribute such earnings in the foreseeable future.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

29. DEFERRED TAX (continued)

The Group has estimated tax losses arising in Hong Kong of HK$6,699,000 (2011: HK$6,699,000) that are available indefinitely for offsetting against future taxable profits of the Company and the respective subsidiaries in which the losses arose. The Group also has estimated tax losses arising in Mainland China of HK$24,414,000 (2011: HK$20,547,000) that will expire in one to five years for offsetting against future taxable profits of the respective subsidiaries in which the losses arose. No deferred tax assets have been recognised in respect of these losses as the directors consider it is not probable that future taxable profit will be available against which these tax losses can be utilised.

30. SHARE CAPITAL

	2012 HK$'000	2011 HK$'000
Authorised:		
2,000,000,000 (2011: 2,000,000,000) ordinary shares of HK$0.1 each	**200,000**	200,000
Issued and fully paid:		
869,919,000 (2011: 869,919,000) ordinary shares of HK$0.1 each	**86,992**	86,992

A summary of the movements during the year in the Company's issued share capital is as follows:

	Note	**Number of shares in issue**	**Issued capital** HK$'000	**Share premium account** HK$'000	**Total** HK$'000
At 1 January 2011		869,719,000	86,972	445,952	532,924
Share options exercised	(a)	200,000	20	112	132
		869,919,000	86,992	446,064	533,056
Transfer from share option reserve		–	–	41	41
At 31 December 2011, 1 January 2012 and 31 December 2012		869,919,000	86,992	446,105	533,097

Note:

(a) During the year ended 31 December 2011, the subscription rights attaching to 200,000 share options were exercised at the subscription prices of HK$0.66 per share (note 31), resulting in the issue of 200,000 shares of HK$0.1 each for a total cash consideration, before related issuance expenses, of approximately HK$132,000, represent nominal value and share premium of HK$20,000 and HK$112,000, respectively.

30. SHARE CAPITAL (continued)

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 31 to the financial statements.

31. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, any consultant, advisor, manager or officer who provides research, development, other technological support or services to the Group, the Company's shareholders, and any non-controlling shareholder of the Company's subsidiaries. The Scheme became effective on 25 August 2004 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The Company has sought the approval by its shareholders in the annual general meeting of the Company held on 26 May 2008 for refreshing its scheme mandate limit such that the maximum number of shares which may be allotted and issued upon the exercise of the share options to be granted under the Scheme is 64,458,300 shares, representing 10% of the share capital of the Company as at the date of refreshment of the scheme mandate limit. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of offer of the share options or the expiry date of the scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the nominal value of the Company's shares; (ii) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (iii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

31. SHARE OPTION SCHEME (continued)

The following share options were outstanding under the Scheme during the year:

	2012		2011	
	Weighted average exercise price HK$ per share	Number of options '000	Weighted average exercise price HK$ per share	Number of options '000
At 1 January	1.28	1,280	0.84	6,971
Exercised during the year	–	–	0.66	(200)
Lapsed during the year	–	–	0.78	(5,491)
At 31 December	1.28	1,280	1.28	1,280

The weighted average share price at the date of exercise for share options exercised during the year ended 31 December 2011 was HK$1.40 per share.

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2012

Number of options '000	Exercise price HK$ per share	Exercise period
1,280	1.28	6 October 2005 to 5 October 2014

2011

Number of options '000	Exercise price HK$ per share	Exercise period
1,280	1.28	6 October 2005 to 5 October 2014

During the year, no new share options were granted by the Company.

The 1,280,000 share options outstanding as at 31 December 2012 under the Scheme, represented approximately 0.1% of the Company's shares in issue as at that date. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 1,280,000 additional ordinary shares of the Company and additional share capital of HK$128,000 and share premium of HK$1,510,000 (before related issuance expenses).

At the date of approval of these financial statements, the Company had 1,280,000 share options outstanding under the Scheme, which represented approximately 0.1% of the Company's shares in issue as at that date.

32. RESERVES

(a) Group

The amounts of the Group's reserves and the movement therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

The capital reserve of the Group represents (i) the premium arising from the issue of shares by Joint Result for settlement of the amounts due to directors, of HK$93,378,000; and (ii) the excess of the nominal value of the share capital of the subsidiaries acquired pursuant to the group reorganisation taken place on 24 August 2004, for the Company became the holding company of the companies now comprising the Group (the "Group Reorganisation"), over the nominal value of the 1,000,000 shares of HK$0.1 each of the Company issued in exchange therefor and the then existing 1,000,000 shares of HK$0.1 each credited as fully paid at par.

In accordance with the relevant PRC regulations, the subsidiaries which are established in the PRC are required to transfer 10% of their profits after tax, as determined under the PRC accounting regulations, to the statutory surplus reserve, until the balance of the reserve reaches 50% of their respective registered capital. Subject to certain restrictions as set out in the relevant PRC regulations, the statutory surplus reserve may be used to offset against accumulated losses of the respective subsidiaries.

(b) Company

	Share premium account HK$'000	Share option reserve HK$'000	Capital reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2011	445,952	1,480	402,007	156,924	1,006,363
Final 2010 dividend declared	–	–	–	(23,488)	(23,488)
Issue of shares (note 30)	112	–	–	–	112
Transfer to share premium account upon exercise of share options (note 30)	41	(41)	–	–	–
Transfer to retained profits	–	(1,149)	–	1,149	–
Loss and total comprehensive expense for the year	–	–	–	(4,465)	(4,465)
At 31 December 2011 and 1 January 2012	446,105	290	402,007	130,120	978,522
Final 2011 dividend declared	–	–	–	(28,707)	(28,707)
Loss and total comprehensive expense for the year	–	–	–	(3,161)	(3,161)
At 31 December 2012	446,105	290	402,007	98,252	946,654

32. RESERVES (continued)

(b) Company (continued)

The capital reserve of the Company represents the excess of the then net assets of the subsidiaries acquired by the Company pursuant to the Group Reorganisation as disclosed in the annual report of the Company for the year ended 31 December 2004, over the nominal value of the share capital of the Company issued in exchange therefor and the then existing 1,000,000 shares of HK$0.1 each credited as fully paid at par. Under the Companies Law of the Cayman Islands, the capital reserve may be distributable to the shareholders of the Company, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

33. DISPOSAL OF SUBSIDIARIES

(a) Disposal of subsidiaries

On 1 October 2012, the Group disposed of 100% equity interest in Quick Grow, a wholly-owned subsidiary of the Company, and its wholly-owned subsidiary, KH Madagascar, to the Purchaser. The consideration for the Disposal of Quick Grow was HK$14,821,000 (the "Consideration") and was fully received in cash by the Group before 31 December 2012. The Disposal of Quick Grow was completed on 1 October 2012.

The consolidated net assets of Quick Grow and its subsidiary attributable to the Group of approximately HK$14,821,000 at the date of the Disposal of Quick Grow (the "Net Assets") consisted of property, plant and equipment of HK$14,420,000, prepaid land lease payments of HK$1,028,000, inventories of HK$31,000, prepayments, deposits and other receivables of HK$2,370,000, cash and cash equivalents of HK$6,570,000, accounts payable of HK$4,326,000, and accrued liabilities and other payables of HK$5,272,000. The loss on the Disposal of Quick Grow of HK$2,528,000, represented the difference of the Consideration and the Net Assets, net of the release of related exchange fluctuation reserve upon the disposal of HK$2,528,000, was recognised in the consolidated income statement for the year.

The net inflow of cash and cash equivalents in respect of the Disposal of Quick Grow amounted to HK$8,251,000, represented the cash consideration of HK$14,821,000 net-off by the cash and cash equivalents disposed of HK$6,570,000.

(b) Disposal of a subsidiary and deemed acquisition of an associate

On 1 February 2011, the Group disposed of 75% equity interest in Kam Hing International, which has 20% equity interest in Hong Kong Wisco Guangxin Kam Wah Resources Limited and Madagascar Wisco Guangxin Kam Wah Resources S.A., and 40% equity interest in Wisco Kam Hing Resources Limited, the associates of Kam Hing International, and assigned 75% of the amount due from Kam Hing International to the Group of HK$206,948,000, at a total cash consideration of US$30,000,000 (HK$233,400,000 equivalent). Immediately after the Disposal of Kam Hing International, the Group's interest in Kam Hing International is reduced to 25% and Kam Hing International became an associate of the Group.

The net liabilities of Kam Hing International and its associates attributable to the Group of HK$1,556,000 at the date of the Disposal of Kam Hing International consisted of interests in associates of HK$206,992,000, comprising share of equity of HK$1,600,000 and an advance to an associate of HK$205,392,000, an amount due to Joint Result, the then immediate holding company of Kam Hing International, of HK$206,948,000 and an amount due to an associate of HK$1,600,000 as at the date of the Disposal of Kam Hing International. The gain on the Disposal of Kam Hing International, net of cost associated with the Disposal of Kam Hing International of HK$66,559,000, amounted to HK$12,797,000 was recognised in the consolidated income statement for the year. The cash consideration of HK$233,400,000 was satisfied by cash.

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions

(a) During the year, the Group entered into finance lease arrangements in respect of items of property, plant and equipment with a total capital value at the inception of the leases of HK$68,547,000 (2011: HK$9,631,000).

(b) During the year ended 31 December 2011, bank interest income of HK$3,513,000 on the Group's pledged time deposits were not yet received, and the related interest receivables were included in prepayments, deposits and other receivables as at 31 December 2011, and were fully settled during the year ended 31 December 2012.

(c) During the year ended 31 December 2011, Kam Hing International issued 6,650,000 shares of US$1 each to the Group after the completion of the Disposal of Kam Hing International at a total consideration of HK$51,737,000, which was settled through the amount due from this associate and had no cash flow impact to the Group.

(d) During the year ended 31 December 2010, the interest expense of HK$1,827,000 on the Group's other loans remained unpaid, and the related interest payables were included in accrued liabilities and other payables as at 31 December 2010, which were fully settled during the year ended 31 December 2011.

35. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Guarantees given to banks in connection with facilities granted to and utilised by subsidiaries	**–**	–	**1,655,467**	1,697,212
Guarantees given to a shareholder of an associate in connection with an loan advanced to a subsidiary	**77,800**	77,800	**77,800**	77,800
	77,800	77,800	**1,733,267**	1,775,012

36. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its buildings under operating lease arrangements, with leases negotiated for terms ranging from one to ten years.

At 31 December 2012, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2012 HK$'000	2011 HK$'000
Within one year	**247**	345
In the second to fifth years, inclusive	**66**	236
After five years	**–**	102
	313	683

(b) As lessee

The Group leases certain properties under operating lease arrangements, with leases negotiated for terms ranging from one to fifty years.

At 31 December 2012, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2012 HK$'000	2011 HK$'000
Within one year	**4,147**	3,592
In the second to fifth years, inclusive	**9,469**	8,700
After five years	**28,163**	26,781
	41,779	39,073

The Company had no significant operating lease commitments at 31 December 2012 (2011: Nil).

37. COMMITMENTS

In addition to the operating lease commitments detailed in note 36 above, the Group had the following capital commitments as at the end of the reporting period:

	2012 HK$'000	2011 HK$'000
Contracted but not provided for:		
Purchases of machinery	**39,780**	117,411
Construction in progress	**31,651**	29,782
	71,431	147,193

The Group had outstanding commitments amounted to HK$382,027,000 (2011: HK$633,297,000) as at the end of the reporting period in respect of the investments in subsidiaries.

The Group had outstanding commitments amounted to HK$287,416,000 (2011: HK$303,911,000) as at the end of the reporting period in respect of irrevocable letters of credit.

The Company had no significant commitments at 31 December 2012 (2011: Nil).

38. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Notes	**2012 HK$'000**	2011 HK$'000
Rental expenses on office premises and staff quarters paid to Tai Chin Chun and Tai Chin Wen	(i)	**720**	498
Rental expenses on staff quarters paid to Cheung So Wan and Wong Siu Yuk	(ii)	**225**	212
Rental expenses on an office premise and car parks paid to Chin Tai Wing	(iii)	**263**	263
Sales of raw materials to a jointly-controlled entity	(iv)	**50,563**	34,334
Purchases of yarns from a jointly-controlled entity	(v)	**84,539**	109,255

38. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

Notes:

(i) The Group entered into tenancy agreements with Mr. Tai Chin Chun and Mr. Tai Chin Wen, directors of the Company, for the rental of office premises and staff quarters at monthly rentals of HK$40,000 (2011: HK$32,500) starting from 1 January 2012 and HK$20,000 (2011: HK$9,000) for terms of two years, based on the terms mutually agreed by both parties.

(ii) The Group entered into tenancy agreements with Ms. Cheung So Wan and Ms. Wong Siu Yuk, directors of the Company, for the rental of staff quarters at monthly rental of approximately HK$18,750 for a term of one year, based on the terms mutually agreed by both parties.

(iii) The Group entered into tenancy agreements with Mr. Chin Tai Wing, a key management personnel of the Group, for the rental of an office premise and two car park spacing at monthly rentals of approximately HK$22,000 for a term of three years on 30 December 2009, based on the then prevailing market rentals.

(iv) The sales of raw materials to the jointly-controlled entity was determined based on the terms mutually agreed by both parties.

(v) The cost of purchases of yarns from the jointly-controlled entity was determined based on the terms mutually agreed by both parties.

(b) The Group is still in the process of applying for the land use planning for construction work permit, construction project and planning permit, commencement of construction work permit in respect of a six-storey factory building, with a net book value of approximately HK$3.0 million (2011: HK$3.2 million) as at 31 December 2012.

Each of Mr. Tai Chin Chun and Mr. Tai Chin Wen, directors of the Company, together with their respective spouses, who are deemed as the shareholders of the Company under the Securities and Futures Ordinance, have given joint and several indemnities in favour of the Group in respect of aforementioned buildings/structures.

(c) Outstanding balances with related parties:

(i) As disclosed in the consolidated statement of financial position, the Group had an outstanding loan from a shareholder of an associate of HK$77,800,000 as at 31 December 2011. The loan was secured by the Group's equity interest in an associate, interest-free and fully settled during the year (2011: repayable within one year).

(ii) Details of the Group's balances with its jointly-controlled entity and associate as at the end of the reporting period are disclosed in notes 18 and 19 to the financial statements, respectively.

(d) Compensation of key management personnel of the Group:

	2012 HK$'000	2011 HK$'000
Short-term employee benefits	**30,897**	28,395
Post-employment benefits	**230**	197
	31,127	28,592

Further details of directors' emoluments are included in note 8 to the financial statements.

39. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2012	Group		
	Financial assets at fair value through profit or loss – held for trading HK$'000	Loans and receivables HK$'000	Total HK$'000
Financial assets			
Accounts and bills receivable	–	689,124	689,124
Financial assets included in prepayments, deposits and other receivables	–	17,276	17,276
Equity investment at fair value through profit or loss	596	–	596
Derivative financial instruments	69	–	69
Due from a jointly-controlled entity	–	34,545	34,545
Pledged deposits	–	2,174	2,174
Cash and cash equivalents	–	494,648	494,648
	665	1,237,767	1,238,432

2012	Group		
	Financial liabilities at fair value through profit or loss – held for trading HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Financial liabilities			
Accounts and bills payable	–	561,623	561,623
Financial liabilities included in accrued liabilities and other payables	–	38,457	38,457
Derivative financial instruments	32	–	32
Due to an associate	–	3,112	3,112
Interest-bearing bank and other borrowings	–	1,452,745	1,452,745
	32	2,055,937	2,055,969

39. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

2011	Group		
	Financial assets at fair value through profit or loss – held for trading	Loans and receivables	Total
	HK$'000	HK$'000	HK$'000
Financial assets			
Accounts and bills receivable	–	872,463	872,463
Financial assets included in prepayments, deposits and other receivables	–	37,237	37,237
Equity investment at fair value through profit or loss	159	–	159
Derivative financial instruments	1,960	–	1,960
Due from a jointly-controlled entity	–	13,468	13,468
Pledged deposits	–	121,790	121,790
Cash and cash equivalents	–	553,108	553,108
	2,119	1,598,066	1,600,185

2011	Group		
	Financial liabilities at fair value through profit or loss – held for trading	Financial liabilities at amortised cost	Total
	HK$'000	HK$'000	HK$'000
Financial liabilities			
Accounts and bills payable	–	812,820	812,820
Financial liabilities included in accrued liabilities and other payables	–	47,922	47,922
Derivative financial instruments	6,614	–	6,614
Loan from a shareholder of an associate	–	77,800	77,800
Bank advances for discounted bills	–	114,783	114,783
Interest-bearing bank and other borrowings	–	1,244,288	1,244,288
	6,614	2,297,613	2,304,227

39. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

2012

	Company Loans and receivables HK$'000
Financial assets	
Due from subsidiaries	657,765
Cash and cash equivalents	4,931
	662,696

	Financial liabilities at amortised cost HK$'000
Financial liabilities	
Financial liabilities included in accrued liabilities and other payables	221
Interest-bearing bank borrowings	31,120
	31,341

2011

	Company Loans and receivables HK$'000
Financial assets	
Due from subsidiaries	754,856
Cash and cash equivalents	2,279
	757,135

	Financial liabilities at amortised cost HK$'000
Financial liabilities	
Financial liabilities included in accrued liabilities and other payables	560
Interest-bearing bank borrowings	93,360
	93,920

40. TRANSFERS OF FINANCIAL ASSETS

At 31 December 2012, the Group endorsed certain bank bills receivable in the PRC (the "Derecognised Bills") which were originally endorsed by its customers, to certain of its suppliers for settling the trade payables due to such suppliers with a carrying amount in aggregate of RMB6,323,000. The Derecognised Bills have a remaining maturity from one to five months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors of the Company, the Group has transferred substantially all risks and rewards related to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills equal to their carrying amounts. In the opinion of the directors of the Company, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the years ended 31 December 2012 and 31 December 2011, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The Endorsement has been made evenly throughout the years ended 31 December 2012 and 31 December 2011.

41. FAIR VALUE AND FAIR VALUE HIERARCHY

At the end of the reporting period, the carrying amounts of the Group's and the Company's financial assets and financial liabilities approximated their fair values.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

41. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

Fair value hierarchy (continued)

Assets measured at fair value:

Group

	Level 1 HK$'000	Level 2 HK$'000	Total HK$'000
As at 31 December 2012			
Equity investment at fair value through profit or loss	**596**	**–**	**596**
Derivative financial instruments	**–**	**69**	**69**
	596	**69**	**665**
As at 31 December 2011			
Equity investment at fair value through profit or loss	159	–	159
Derivative financial instruments	–	1,960	1,960
	159	1,960	2,119

Liabilities measured at fair value:

Group

	Level 1 HK$'000	Level 2 HK$'000	Total HK$'000
As at 31 December 2012			
Derivative financial instruments	**–**	**32**	**32**
As at 31 December 2011			
Derivative financial instruments	–	6,614	6,614

As at 31 December 2012, the Group had no financial instruments measured at fair value under Level 3.

The Company did not have any financial assets and financial liabilities measured at fair value as at 31 December 2012 (2011: Nil).

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2011: Nil).

42. LITIGATION

On 28 April 2012, a computer software provider (the "Plaintiff") filed a claim to a District People's Court in the PRC (the "PRC Court") against one of the Group's subsidiaries in the PRC for unauthorised installation, copy and utilisation of certain computer software, of which the Plaintiff owned the intellectual property rights. The Plaintiff demanded compensation from the Group of RMB5.4 million (equivalent to HK$6.8 million) in total.

In response to the claim from the Plaintiff, in November 2012, the Group filed a counted-claim to the PRC Court against the Plaintiff. The Group applied to the PRC Court to consider the claim from the Plaintiff and the counterclaim from the Group as a single court case and defer the court hearing of the legal cases for collection of evidence. The court hearing date has not been fixed up to the date of these financial statements.

With reference to the advice from the Group's legal counsel, the directors considered that the above legal cases were in its preliminary stage of legal process, and the results of the legal cases and the amount of penalties required could not be measured with sufficient reliability at the moment. Therefore, no provision regarding liabilities arising therefrom had been made by the Group in these financial statements as at 31 December 2012.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise interest-bearing bank and other borrowings and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as accounts and bills receivable, other receivables, accounts and bills payable, accrued liabilities and other payables, amounts due from/to a jointly-controlled entity and an associate and loan from a shareholder of an associate, which arise directly from its operations.

The Group also enters into derivative transactions, including principally interest rate swaps and forward currency contracts. The purpose is to manage the interest rate risk and currency risk arising from the Group's operations and its source of finance.

The main risks arising from the Group's financial instruments are interest rate risk, market risk, commodity price risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's net debt obligations with a floating interest rate. The bank borrowings bear interest at interest rates with reference to HIBOR, LIBOR, PBOC, etc. The Group believes that the exposure to the risk of changes in market interest rates is not significant. In order to minimise the impact of interest rate exposure, the Group has entered into interest rate swaps with creditworthy banks to manage its interest rate exposure.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate net borrowings).

	Group	
	Change in interest rate %	Change in the Group's profit before tax HK$'000
2012		
Hong Kong dollar – HIBOR	**0.3**	**2,645**
United States dollar – LIBOR	**0.1**	**239**
RMB – PBOC	**0.5**	**539**
2011		
Hong Kong dollar – HIBOR	0.3	1,739
United States dollar – LIBOR	0.1	93
RMB – PBOC	0.5	347

Market risk

The Group trades in financial instruments, including derivatives and equity securities.

Market risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate due to changes in market variables, such as interest rates, foreign exchange rates and equity prices. The Group is exposed to market risk through its derivative financial instruments and other investments.

Commodity price risk

The major raw materials used in the production of the Group's products include fabrics, yarns and dyeing chemicals. The Group is exposed to fluctuations in the prices of these raw materials which are influenced by global as well as regional supply and demand conditions. Fluctuations in the prices of raw materials could adversely affect the Group's financial performance. The Group historically has not entered into any commodity derivative instruments to hedge the potential commodity price changes.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

Foreign currency risk is the risk of losses due to adverse movements in foreign exchange rates relating to investments denominated in foreign currencies. The Group has transactional currency exposures. Such exposure arises as a substantial portion of sales and purchase transactions is conducted by the Group's subsidiaries in US$ and RMB with the counterparties.

The Group's assets and liabilities are primarily denominated in Hong Kong dollars and RMB. When seeking to optimise the returns on its funds available for investment, the Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. In order to minimise the impact of foreign exchange exposure, the Group has entered into forward currency contracts with creditworthy banks to manage its exchange rate exposure.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity (due to changes in the fair value of forward currency contracts).

	Increase/ (decrease) in RMB rate %	Increase/ (decrease) in the Group's profit before tax HK$'000	Increase/ (decrease) in the Group's equity* HK$'000
2012			
If Hong Kong dollar weakens against RMB	**3**	**15,208**	**–**
If Hong Kong dollar strengthens against RMB	**(3)**	**(15,208)**	**–**
2011			
If Hong Kong dollar weakens against RMB	3	25,099	–
If Hong Kong dollar strengthens against RMB	(3)	(25,099)	–

* Excluding retained profits

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

Since the Group trades only with recognised and creditworthy third parties, there is generally no requirement for collateral.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, an equity investment at fair value through profit or loss, amounts due from a jointly-controlled entity and an associate and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Company is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in note 35 to the financial statements.

The Group's credit risk exposure is spread over a number of counterparties and customers. Hence, it has no significant concentration of credit risk by a single debtor.

Liquidity risk

The Group monitors its risk to a shortage of funds by considering the maturity of both its financial instruments and financial assets (e.g. accounts and bills receivable) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bills payable, bank advances for discounted bills, interest-bearing bank and other borrowings and loans from a non-controlling shareholder and a shareholder of an associate to meet its working capital and capital expenditure requirements.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

Group	**2012**			
	On demand or less than 12 months HK$'000	**1 to 5 years HK$'000**	**Over 5 years HK$'000**	**Total HK$'000**
Accounts and bills payable	561,623	–	–	561,623
Financial liabilities included in accrued liabilities and other payables	38,457	–	–	38,457
Derivative financial instruments	32	–	–	32
Due to an associate	3,112	–	–	3,112
Interest-bearing bank and other borrowings *	891,857	546,714	17,127	1,455,698
	1,495,081	546,714	17,127	2,058,922

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Group	2011		
	On demand or less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Accounts and bills payable	812,820	–	812,820
Financial liabilities included in accrued liabilities and other payables	47,922	–	47,922
Derivative financial instruments	6,614	–	6,614
Loan from a shareholder of an associate	77,800	–	77,800
Bank advances for discounted bills	114,783	–	114,783
Interest-bearing bank and other borrowings *	499,027	768,176	1,267,203
	1,558,966	768,176	2,327,142

* Included in interest-bearing bank and other borrowings are bank loans of HK$5,282,000 (2011: HK$7,794,000) and finance lease payables of HK$11,634,000 (2011: HK$220,000) containing a repayment on demand clause giving the lender the unconditional right to call the loan at any time and therefore, for the purpose of the above maturity profile, these amounts are classified as "on demand".

Notwithstanding the above repayment on demand clause, the directors do not believe that the bank loans and finance lease payables will be called in its entirety within 12 months, and they consider that the bank loans and finance lease payables will be repaid in accordance with the maturity dates as set out in the respective agreements. This evaluation was made considering: the financial position of the Group at the date of approval of the financial statements; the Group's compliance with the loan covenants; the lack of events of default, and the fact that the Group has made all previously scheduled repayments on time. In accordance with the terms of the bank loans and finance lease payables, the maturity terms at 31 December 2012 are HK$874,941,000 in 2013, HK$363,653,000 in 2014 and HK$189,383,000 in 2015, HK$6,412,000 in 2016, HK$4,182,000 in 2017, and HK$17,127,000 from 2018 to 2019 (2011: HK$491,011,000 in 2012, HK$251,218,000 in 2013, HK$349,790,000 in 2014 and HK$175,184,000 in 2015).

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The maturity profile of the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

Company	**2012**		
	On demand or less than 12 months HK$'000	**1 to 5 years HK$'000**	**Total HK$'000**
Financial liabilities included in accrued liabilities and other payables	**221**	**–**	**221**
Interest-bearing bank borrowings	**31,120**	**–**	**31,120**
	31,341	**–**	**31,341**

Company	2011		
	On demand or less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Financial liabilities included in accrued liabilities and other payables	560	–	560
Interest-bearing bank borrowings	62,240	31,120	93,360
	62,800	31,120	93,920

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2012 and 31 December 2011.

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt comprises all interest-bearing bank and other borrowings, bank advances for discounted bills, loan from a shareholder of an associate, an amount due to an associate, accounts and bills payable, and accrued liabilities and other payables less cash and cash equivalents. The total equity comprises owners' equity as stated in the consolidated statement of financial position.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

The Group's strategy was to maintain the gearing ratio at a healthy capital level in order to support its business. The gearing ratios of the Group as at the end of the reporting periods were as follows:

	Group	
	2012 HK$'000	2011 HK$'000
Interest-bearing bank and other borrowings	1,452,745	1,244,288
Accounts and bills payable	561,623	812,820
Accrued liabilities and other payables	118,607	131,529
Loan from a shareholder of an associate	–	77,800
Due to an associate	3,112	–
Bank advances for discounted bills	–	114,783
Less: Cash and cash equivalents	(494,648)	(553,108)
Net debt	1,641,439	1,828,112
Equity attributable to ordinary equity holders of the Company and total capital	1,907,759	1,833,054
Capital and net debt	3,549,198	3,661,166
Gearing ratio	46.2%	49.9%

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 March 2013.

FIVE-YEAR FINANCIAL SUMMARY

31 December 2012

A summary of the published results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out below:

RESULTS

	Year ended 31 December				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**4,100,160**	4,065,355	3,267,785	2,523,245	2,586,617
Profit before tax	**122,322**	154,584	122,161	90,534	91,656
Income tax expense	**(12,936)**	(27,352)	(17,778)	(9,859)	(11,015)
Profit for the year	**109,386**	127,232	104,383	80,675	80,641
Attributable to:					
Ordinary equity holders of the Company	**100,884**	114,587	96,484	83,115	81,700
Non-controlling interests	**8,502**	12,645	7,899	(2,440)	(1,059)
	109,386	127,232	104,383	80,675	80,641

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**4,128,565**	4,328,869	3,827,209	2,940,425	2,600,829
TOTAL LIABILITIES	**(2,164,451)**	(2,434,540)	(2,139,271)	(1,452,828)	(1,409,405)
NON-CONTROLLING INTERESTS	**(56,355)**	(61,275)	(46,844)	(40,345)	(43,305)
	1,907,759	1,833,054	1,641,094	1,447,252	1,148,119