



**KAM HING INTERNATIONAL
HOLDINGS LIMITED**
錦興國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)



INTERIM REPORT

2004

CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Tai Chin Chun (*Chairman*)
Mr. Tai Chin Wen (*Vice-chairman*)
Madam Cheung So Wan
Madam Wong Siu Yuk

Independent Non-Executive Directors

Mr. Chong Chau Lam
Madam Chu Hak Ha, Mimi
Mr. Chan Yuk Tong

Audit Committee

Mr. Chong Chau Lam
Madam Chu Hak Ha, Mimi
Mr. Chan Yuk Tong (*Chairman*)

Qualified Accountant

Mr. Wong Wai Kong, Elmen, CPA

Company Secretary

Mr. Wong Wai Kong, Elmen, CPA

Auditors

Ernst & Young

Website

www.kam-hing.com.hk

Registered Office

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681 GT
George Town
Grand Cayman
British West Indies

Head office and principal place of business

Units 5-9, 8/F
Lucida Industrial Building
43-47 Wang Lung Street
Tsuen Wan
New Territories
Hong Kong

Principal share registrar and transfer office in Cayman Islands

Bank of Bermuda (Cayman) Limited
PO Box 513 GT
Strathvale House
North Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

Branch share registrar and transfer office in Hong Kong

Tricor Investor Services Limited
Ground Floor
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

KEY HIGHLIGHTS

The board (the "Board") of directors ("Directors") of Kam Hing International Holdings Limited (the "Company") is pleased to present the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2004 (the "Period").

- Comparing with the period for the six months ended 30 June 2003,
 - Turnover for the Period increased by approximately 12.5% to approximately HK\$702.6 million; and
 - Net profit for the Period increased by approximately 3.6% to approximately HK\$66.6 million
- The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 23 September 2004

CHAIRMAN'S STATEMENT

I am pleased to present the first interim results to our shareholders after the Company's shares were successfully listed on the Main Board of the Stock Exchange on 23 September 2004.

Due to the recovery of global economy, the operating environment of manufacturing industries, especially for consumer products, was greatly improved in the first half of 2004. Although the industry has been affected by the fluctuation in the price of cotton yarn since the later half of 2003, through effective control in production cost and pricing strategy, the Group recorded net profit from ordinary activities attributable to shareholders of approximately HK\$66.6 million for the six months ended 30 June 2004, represented a growth of approximately 3.6% comparing with the corresponding period in 2003.

Since its establishment, the Group has committed to provide high quality products to its customers and has gradually developed itself as one of the leading yarn knitting and fabric dyeing manufacturers in Hong Kong. Its performance is recognized by the successful listing of the Company's shares on the Stock Exchange. The Company has raised a net proceed of approximately HK\$186 million through the share offer, which will be used for the future business expansion and working capital requirement of the Group as disclosed in the prospectus of the Company dated 14 September 2004 (the "Prospectus") and the announcement of the Company dated 22 September 2004.

Moving to the next step, the Group intends to become a leading knitted fabric manufacturer in South East Asia. The Group will strengthen its existing market position in Singapore, Taiwan and Hong Kong and simultaneously explore new markets like Korea and Europe. In addition, the Group will reinforce its sales and marketing team by recruiting more high-caliber professionals.

The Group believes that providing high quality products and satisfying customers' needs are the most important and effective ways to maintain business relationship with its existing customers and attract potential customers. In order to further assure the quality of its products and offer a wider range of product portfolio to its customers, the Group has set up its own yarn dyeing operation, which has newly commenced operation. It is expected that the annual production capacity of such yarn-dyeing operation is approximately 30 million pounds.

Besides, in order to increase the production volume and smoothen the production process, the Group will install additional knitting and dyeing machinery, construct a new factory complex in the Group's existing premises and install an additional 18,000 KW power and steam generator to provide sufficient and stable supply of steam and electricity according to the expansion plan as disclosed in the Prospectus.

The second half of 2004 will be full of opportunities. The external factors such as the continuous improvement in worldwide economy, the gradual decline in the price of cotton yarn in mid-2004 and the expected growth in the market demand for knitted fabrics are all favourable to the Group. Together with the recent listing of the Company's shares on the Stock Exchange, expansion in production scale including the setting up of new yarn dyeing operation, I believe that the Group will be able to grasp all valuable opportunities and further develop itself as a preferred partner for the international apparel brand operators. The Directors are optimistic that the Group will maintain prosperity and competitiveness in the remaining year of 2004.

On behalf of the Board, I would like to show my sincere gratitude to our staff for their continuous support. Their hard work, contributions and belongingness are highly appreciated. With the co-operation of our valuable staff and support from our suppliers, customers and shareholders, I strongly believe that the Group will have a remarkable and prosper development.

Tai Chin Chun
Chairman

Hong Kong, 24 September 2004

COMBINED PROFIT AND LOSS ACCOUNT

	<i>Notes</i>	Six months ended 30 June 2004 HK\$'000 (Unaudited)	Six months ended 30 June 2003 HK\$'000 (Unaudited)
Turnover	5	702,640	624,540
Cost of sales		(536,633)	(468,171)
Gross profit		166,007	156,369
Other revenue	5	2,626	1,176
Selling and distribution costs		(38,164)	(32,513)
Administrative expenses		(47,508)	(44,686)
Other operating income		2,400	483
Profit from operating activities	6	85,361	80,829
Finance costs	7	(7,045)	(4,510)
Profit before tax		78,316	76,319
Tax	8	(11,680)	(12,017)
Net profit from ordinary activities attributable to shareholders		66,636	64,302
Earnings per share (Basic)	10	HK13.9 cents	HK13.4 cents

COMBINED BALANCE SHEET

	<i>Notes</i>	30 June 2004 HK\$'000 (Unaudited)	31 December 2003 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Fixed assets	11	401,954	325,488
		401,954	325,488
CURRENT ASSETS			
Inventories		229,680	236,298
Accounts and bills receivable	12	265,086	166,789
Prepayments, deposits and other receivables		35,885	24,462
Tax recoverable		141	127
Pledged deposits		30,681	30,651
Cash and bank balances		17,385	27,061
		578,858	485,388
CURRENT LIABILITIES			
Accounts and bills payable	13	158,150	166,117
Accrued liabilities and other payables		49,035	45,360
Tax payable		21,571	16,644
Interest-bearing bank borrowings	14, 15	186,361	114,410
Finance lease payables	16	26,584	19,431
		441,701	361,962
NET CURRENT ASSETS		137,157	123,426
TOTAL ASSETS LESS CURRENT LIABILITIES		539,111	448,914
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	14, 15	104,762	104,777
Finance lease payables	16	55,577	32,001
Deferred tax liabilities		17	17
		160,356	136,795
		378,755	312,119
CAPITAL AND RESERVES			
Issued capital	17	78	78
Reserves	17	378,677	312,041
		378,755	312,119

CONDENSED COMBINED CASH FLOW STATEMENT

	30 June 2004 HK\$'000 (Unaudited)	30 June 2003 HK\$'000 (Unaudited)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(20,498)	(63,679)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(56,994)	(21,054)
NET CASH INFLOW FROM FINANCING ACTIVITIES	67,816	72,906
NET DECREASE IN CASH AND CASH EQUIVALENTS	(9,676)	(11,827)
Cash and cash equivalents at beginning of period	27,061	25,103
CASH AND CASH EQUIVALENTS AT END OF PERIOD	17,385	13,276

COMBINED STATEMENT OF CHANGES IN EQUITY

	Issued share capital <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Statutory surplus reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30 June 2004 (Unaudited)					
At 1 January 2004	78	104,926	13,200	193,915	312,119
Net profit for the period	–	–	–	66,636	66,636
Transfer to reserve	–	–	1,600	(1,600)	–
At 30 June 2004	78	104,926	14,800	258,951	378,755
Six months ended 30 June 2003 (Unaudited)					
At 1 January 2003	11,315	–	9,200	101,559	122,074
Net profit for the period	–	–	–	64,302	64,302
Transfer to reserve	–	–	2,000	(2,000)	–
At 30 June 2003	11,315	–	11,200	163,861	186,376

NOTES TO THE FINANCIAL INFORMATION

1. GROUP REORGANISATION

The Company was incorporated as an exempted company in the Cayman Islands under the Companies Law of the Cayman Islands on 26 November 2003. Upon completion of the reorganisation undertaken in preparation for the listing of the Company's shares on the Stock Exchange, the Company became the holding company of the companies now comprising the Group on 24 August 2004. A summary of the transactions undertaken by the Company relating to the reorganisation is set out in the section headed "Corporate reorganisation" in appendix VI of the Prospectus.

2. BASIS OF PRESENTATION

The unaudited combined interim financial information is prepared as if the current Group structure had been in existence throughout the period commencing from 1 January 2003 to 30 June 2004, or from the respective dates of incorporation/registration of the companies now comprising the Group where this is a shorter period. All material intra-group transactions and balances have been eliminated on combination.

As at the date of this report, the Company had direct or indirect interests in the following subsidiaries, all of which are private companies (or, if incorporated/registered outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Company name	Place and date of incorporation/ registration	Issued share/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Joint Result Holdings Limited	British Virgin Islands 15 October 2003	Ordinary US\$10,000	100	–	Investment holding
Kam Hing Piece Works Limited	Hong Kong 21 August 1998	Ordinary HK\$2 Non-voting deferred HK\$1,000,010 (Note (1))	–	100	Trading of finished fabrics
Kam Hing Piece Works (S) Pte Ltd	Singapore 3 March 2001	Ordinary S\$100,000	–	100	Provision of customer services
Kam Hing International Shipping Limited	Hong Kong 13 June 2001	Ordinary HK\$100,000	–	100	Provision of air and ocean freight services

Company name	Place and date of incorporation/ registration	Issued share/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Kam Hing Textile (International) Limited	Hong Kong 12 November 1996	Ordinary HK\$2 Non-voting deferred HK\$10,000,000 (Note (1))	–	100	Provision of knitting and dyeing services and trading of finished fabrics
番禺錦興紡織漂染有限公司 ("Panyu Kam Hing Textile Dyeing Co., Limited")	People's Republic of China 26 March 1992	US\$44,190,000 (Note (2))	–	100	Manufacture and trading of knitted and dyed fabrics
Kam Hing Enterprise Limited	British Virgin Islands 28 March 2003	Ordinary US\$1,000	–	100	Investment holding
Kam Hing Textile Macao Commercial Offshore Company Limited	Macau 16 January 2004	Pataca 100,000	–	100	Provision of knitting and dyeing services and trading of finished fabrics
廣州錦昇紡織漂染有限公司 ("Guangzhou Kam Sing Textile and Dyeing Co., Ltd.")	People's Republic of China 2 January 2004	HK\$1,000,000 (Note (3))	–	100	Manufacture and trading of knitted and dyed fabrics

Notes:

- (1) 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 Kam Hing Piece Works Limited and Kam Hing Textile (International) Limited. The holders of the non-voting deferred shares are not entitled to any dividends of Kam Hing Piece Works Limited and Kam Hing Textile (International) Limited. On a winding-up, the holders of the non-voting deferred shares are entitled, out of the surplus assets of Kam Hing Piece Works Limited and Kam Hing Textile (International) Limited, 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 Kam Hing Piece Works Limited and Kam Hing Textile (International) Limited.

- (2) Panyu Kam Hing Textile Dyeing Co., Limited is registered as a wholly-foreign owned enterprise under the laws of the People's Republic of China ("PRC") with an operating period of 25 years commencing from 26 March 1992. The registered capital of Panyu Kam Hing Textile Dyeing Co., Limited is US\$50,000,000. As at the date of this report, the registered capital was paid up as to US\$44,190,000. The remaining US\$5,810,000 is required to be paid up prior to 23 December 2004.
- (3) Guangzhou Kam Sing Textile and Dyeing Co., Ltd. is registered as a wholly-foreign owned enterprise under the laws of the PRC with an operating period of 20 years commencing from 2 January 2004. The registered capital of Guangzhou Kam Sing Textile and Dyeing Co., Ltd. is HK\$6,000,000. As at the date of this report, the registered capital was paid up as to HK\$1,000,000. The remaining HK\$5,000,000 is required to be paid up prior to 2 January 2005.

3. PRINCIPAL ACCOUNTING POLICIES

The unaudited combined interim financial information has been prepared in accordance with Hong Kong Statement of Standard Accounting Practice 25 – "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants and the principal accounting policies used are the same as those used in the audited combined financial statements for the three years ended 31 December 2003 and for the four months ended 30 April 2004 as set out in appendix I of the Prospectus.

4. SEGMENT INFORMATION

Segment information is presented by way of the Group's primary segment reporting basis, by geographical segment. No information has been disclosed in respect of the Group's business segments as over 90% of the Group's revenue and assets are related to the manufacture and sale of finished knitted fabrics.

Each of the Group's geographical segments, based on the location of customers (the destination of sales), represents a strategic business unit that offers products to customers located in different geographical areas which are subject to risks and returns that are different from those of the other geographical segments. The Group's customer-based geographical segments are as follows:

- (a) Singapore;
- (b) Taiwan;
- (c) Hong Kong; and
- (d) Others

In addition, segment assets and capital expenditure are further analysed by the geographical location of the assets (the origin of sales), where the Group's assets are located in different geographical areas from its customers and where segment revenue from external customers or segment assets are 10% or more of the Group's total amount. The Group's asset-based geographical segments include Singapore, Hong Kong and the PRC and others.

(i) Geographical segments based on the location of customers
Segment Results

	Singapore <i>HK\$'000</i>	Taiwan <i>HK\$'000</i>	Hong Kong <i>HK\$'000</i>	Others <i>HK\$'000</i>	Combined <i>HK\$'000</i>
Six months ended 30 June 2004 (Unaudited)					
Segment revenue:					
Sales to external customers	356,483	169,989	61,257	114,911	702,640
Other revenue	833	397	143	269	1,642
Total	357,316	170,386	61,400	115,180	704,282
Segment results	70,105	34,340	12,374	23,320	140,139
Interest and other unallocated income					984
Unallocated expenses, net					(55,762)
Profit from operating activities					85,361
Finance costs					(7,045)
Profit before tax					78,316
Tax					(11,680)
Net profit from ordinary activities attributable to shareholders					66,636
Other segment information:					
Depreciation – unallocated					15,339
Capital expenditure – unallocated					91,813
Write off of fixed assets – unallocated					8
Write back of provision for doubtful debts	–	–	–	(107)	(107)
Write back of provision against other receivables – unallocated					(200)

	Singapore <i>HK\$'000</i>	Taiwan <i>HK\$'000</i>	Hong Kong <i>HK\$'000</i>	Others <i>HK\$'000</i>	Combined <i>HK\$'000</i>
Six months ended 30 June 2003 (Unaudited)					
Segment revenue:					
Sales to external customers	354,870	109,717	67,064	92,889	624,540
Other revenue	364	113	136	95	708
Total	<u>355,234</u>	<u>109,830</u>	<u>67,200</u>	<u>92,984</u>	<u>625,248</u>
Segment results	<u>71,462</u>	<u>23,160</u>	<u>13,838</u>	<u>19,609</u>	128,069
Interest and other unallocated income					468
Unallocated expenses, net					(47,708)
Profit from operating activities					80,829
Finance costs					(4,510)
Profit before tax					76,319
Tax					(12,017)
Net profit from ordinary activities attributable to shareholders					<u>64,302</u>
Other segment information:					
Depreciation – unallocated					10,268
Capital expenditure – unallocated					48,732
Gain on disposal of fixed assets – unallocated					(560)
Provision for inventories – unallocated					2,739
Bad debts written off	–	–	385	–	385
Provision for doubtful debts	1,233	–	–	–	1,233

Segment Assets and Liabilities

	Singapore	Taiwan	Hong Kong	Others	Combined
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 30 June 2004 (Unaudited)					
Segment assets	<u>183,162</u>	<u>18,799</u>	<u>31,329</u>	<u>31,796</u>	<u>265,086</u>
Unallocated assets					<u>715,726</u>
					<u>980,812</u>
Segment liabilities	<u>78</u>	<u>37</u>	<u>125,233</u>	<u>32,955</u>	<u>158,303</u>
Unallocated liabilities					<u>443,754</u>
					<u>602,057</u>
As at 31 December 2003 (Audited)					
Segment assets	<u>104,736</u>	<u>12,982</u>	<u>36,214</u>	<u>12,857</u>	166,789
Unallocated assets					<u>644,087</u>
					<u>810,876</u>
Segment liabilities	<u>371</u>	<u>530</u>	<u>80,056</u>	<u>85,797</u>	166,754
Unallocated liabilities					<u>332,003</u>
					<u>498,757</u>

(ii) Geographical segments based on the location of assets

	Singapore <i>HK\$'000</i>	Hong Kong <i>HK\$'000</i>	PRC <i>HK\$'000</i>	Others <i>HK\$'000</i>	Combined <i>HK\$'000</i>
Segment assets					
As at 30 June 2004 (Unaudited)	<u>466</u>	<u>330,443</u>	<u>648,150</u>	<u>1,753</u>	<u>980,812</u>
As at 31 December 2003 (Audited)	<u>851</u>	<u>247,541</u>	<u>562,484</u>	<u>–</u>	<u>810,876</u>
Capital expenditure					
Six months ended					
30 June 2004 (Unaudited)	<u>21</u>	<u>648</u>	<u>90,797</u>	<u>347</u>	<u>91,813</u>
Six months ended					
30 June 2003 (Unaudited)	<u>245</u>	<u>1,637</u>	<u>46,850</u>	<u>–</u>	<u>48,732</u>

5. TURNOVER AND REVENUE

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and knitting and dyeing services rendered. All significant intra-group transactions have been eliminated on combination.

An analysis of the Group's turnover and other revenue is as follows:

	Six months ended 30 June 2004 HK\$'000 (Unaudited)	Six months ended 30 June 2003 HK\$'000 (Unaudited)
Turnover		
Sale of goods	698,950	621,194
Fee income from knitting and dyeing services	3,690	3,346
	702,640	624,540
Other revenue		
Fee income from freight handling services	1,642	708
Interest income	93	185
Others	891	283
	2,626	1,176
	705,266	625,716

6. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	Six months ended 30 June 2004 HK\$'000 (Unaudited)	Six months ended 30 June 2003 HK\$'000 (Unaudited)
Cost of inventories sold	533,985	465,843
Cost of services provided	4,220	2,932
Auditors' remuneration	782	298
Research and development costs	1,060	836
Depreciation	15,339	10,268
Staff costs (including directors' remuneration):		
Wages and salaries	31,452	29,418
Pension scheme contributions	1,817	1,526
Total staff costs	33,269	30,944
Minimum lease payments under operating leases in respect of land and buildings	249	471
Loss/(gain) on disposal of fixed assets	8	(560)
Bad debts written off	-	385
Provision for doubtful debts	-	1,233
Write back of provision for doubtful debts	(107)	-
Write back of provision against other receivables	(200)	-
Exchange gains, net	(2,118)	(1,584)

7. FINANCE COSTS

	Six months ended 30 June 2004 HK\$'000 (Unaudited)	Six months ended 30 June 2003 HK\$'000 (Unaudited)
Interest on bank loans and other loans wholly repayable within five years	5,937	3,546
Interest on finance leases	1,108	964
	7,045	4,510

8. TAX

	Six months ended 30 June 2004 HK\$'000 (Unaudited)	Six months ended 30 June 2003 HK\$'000 (Unaudited)
Current tax - Hong Kong		
Charge for the period	9,141	9,251
Current tax - Elsewhere		
Charge for the period	3,015	2,766
Over-provision in respect of prior periods	(476)	-
	<hr/>	<hr/>
Total tax charge for the period	11,680	12,017

Hong Kong profits tax has been provided on the estimated assessable profits arising in Hong Kong at 17.5% for the six months ended 30 June 2004 (2003: 17.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

9. DIVIDEND

The Board has resolved not to declare any interim dividend for the Period (2003: nil).

10. EARNINGS PER SHARE (BASIC)

The calculation of basic earnings per share for the period under review is based on the net profit from ordinary activities attributable to shareholders for the period and on the assumption that 480,000,000 shares had been in issue throughout the period.

There were no dilutive potential ordinary shares in existence during the period under review and, therefore, no diluted earnings per share amounts have been presented.

11. FIXED ASSETS

	Leasehold land and buildings <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture, fixtures and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Construction in progress <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:						
As at 1 January 2004 (Audited)	60,499	288,801	12,372	8,297	99,109	469,078
Additions	1,218	56,872	1,387	–	32,336	91,813
Write off	–	–	(13)	–	–	(13)
As at 30 June 2004 (Unaudited)	61,717	345,673	13,746	8,297	131,445	560,878
Accumulated depreciation:						
As at 1 January 2004 (Audited)	10,080	119,852	8,384	5,274	–	143,590
Charge for the period	1,895	12,007	859	578	–	15,339
Write off	–	–	(5)	–	–	(5)
As at 30 June 2004 (Unaudited)	11,975	131,859	9,238	5,852	–	158,924
Net book value:						
As at 30 June 2004 (Unaudited)	49,742	213,814	4,508	2,445	131,445	401,954
As at 31 December 2003 (Audited)	50,419	168,949	3,988	3,023	99,109	325,488

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

	30 June 2004 <i>HK\$'000</i> (Unaudited)	31 December 2003 <i>HK\$'000</i> (Audited)
Medium term leases		
– in Hong Kong	1,524	1,572
– outside Hong Kong	48,218	48,847
	49,742	50,419

At 30 June 2004, the Group's leasehold land and buildings with a net book value of approximately HK\$11,425,215 (2003: HK\$1,201,000) were pledged to secure banking facilities granted to the Group.

The net book value of the Group's fixed assets held under finance leases included in the total amount of plant and machinery and motor vehicles at 30 June 2004 and 31 December 2003 were as follows:

	30 June 2004	31 December 2003
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Plant and machinery	80,199	75,843
Motor vehicles	1,276	1,475
	81,475	77,318

12. ACCOUNTS AND BILLS RECEIVABLE

The Group allows an average credit period of 60 to 120 days to its trade customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

An aged analysis of the Group's accounts and bills receivable as at the balance sheet dates, based on the invoice date, is as follows:

	30 June 2004	31 December 2003
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Within 30 days	146,892	63,021
31 to 60 days	75,915	49,486
61 to 90 days	31,298	24,091
Over 90 days	10,981	30,191
	265,086	166,789

13. ACCOUNTS AND BILLS PAYABLE

An aged analysis of the Group's accounts payable as at the balance sheet dates, based on invoice date, is as follows:

	30 June 2004 HK\$'000 (Unaudited)	31 December 2003 HK\$'000 (Audited)
Within 90 days	126,956	131,216
91 to 180 days	29,053	24,341
181 to 365 days	2,141	10,560
	<u>158,150</u>	<u>166,117</u>

14. INTEREST BEARING BANK BORROWINGS

	30 June 2004 HK\$'000 (Unaudited)	31 December 2003 HK\$'000 (Audited)
Bank loans		
Secured	186,361	114,425
Unsecured	104,762	104,762
	<u>291,123</u>	<u>219,187</u>
Bank loans repayable:		
Within one year	186,361	114,410
In the second year	–	15
In the third to fifth years, inclusive	104,762	104,762
	<u>291,123</u>	<u>219,187</u>
Portion classified as current liabilities	<u>(186,361)</u>	<u>(114,410)</u>
Long term portion	<u>104,762</u>	<u>104,777</u>

15. BANKING FACILITIES

As at 30 June 2004, the Group's banking facilities were secured by the following:

- (a) Pledged bank deposits of the Group in the amount of HK\$30,680,668 and legal charges over the Group's leasehold land and buildings with a net book value of HK\$11,425,215;
- (b) Legal charges over certain properties owned by (1) certain directors of the Company and its subsidiaries; and (2) a related company;
- (c) A charge over certain listed securities owned by a director of the Company;
- (d) Two taxi vehicles (including taxi licences) owned by a related company;
- (e) Unlimited personal guarantees given by the directors of the Company; and
- (f) Unlimited corporate guarantees executed by two subsidiaries of the Company.

The underlying financial institutions have agreed in principle that the pledges and personal guarantees as stated in (b) to (e) above would be released upon the listing of the Company's shares on the Stock Exchange and replaced by securities of and/or corporate guarantees executed by the Company and/or other members of the Group. As at the date of this report, the Group was in the process of preparing documentation and applying formalities to release the afore-mentioned charges.

16. FINANCE LEASE PAYABLES

The Group leases certain of its plant and machinery and motor vehicles for its business operations. These leases are classified as finance leases and have remaining lease terms ranging from one to four years.

At the end of 30 June 2004 and 31 December 2003, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments		Present value of minimum lease payments	
	30 June 2004 HK\$'000 (Unaudited)	31 December 2003 HK\$'000 (Audited)	30 June 2004 HK\$'000 (Unaudited)	31 December 2003 HK\$'000 (Audited)
Amounts payable:				
Within one year	27,889	20,124	26,584	19,431
In the second year	31,636	20,252	29,866	18,962
In the third to fifth years, inclusive	26,551	13,694	25,711	13,039
Total minimum finance lease payments	86,076	54,070	82,161	51,432
Future finance charges	(3,915)	(2,638)		
Total net finance lease payables	82,161	51,432		
Portion classified as current liabilities	(26,584)	(19,431)		
Long term portion	55,577	32,001		

The finance lease payables were secured by legal charges over a property owned by a related company; a charge over certain listed securities owned by a director of the Company; two taxi vehicles (including taxi licences) owned by a related company; unlimited personal guarantees given by the directors of the Company, and unlimited corporate guarantees executed by two subsidiaries of the Company.

The underlying financial institutions have agreed in principle that the pledges and personal guarantees as stated above would be released upon the listing of the Company's shares on the Stock Exchange and replaced by securities of and/or corporate guarantees executed by the Company and/or other members of the Group. As at the date of this report, the Group was in the process of preparing documentation and applying formalities to release the afore-mentioned charges.

17. ISSUED SHARE CAPITAL AND RESERVES

The amounts of the Group's issued share capital and reserves and the movements therein for the period under review are presented in the combined statement of changes in equity above.

The balance of the issued share capital as at 30 June 2004 and 31 December 2003 represents the issued share capital of Joint Result Holdings Limited.

A summary of the definition of each of the reserves of the Company is set out in appendix I of the Prospectus.

18. CONTINGENT LIABILITIES

At the end of 30 June 2004 and 31 December 2003, contingent liabilities not provided for were as follows:

	30 June 2004 HK\$'000 (Unaudited)	31 December 2003 HK\$'000 (Audited)
Bills discounted with recourse	178,188	62,425

At 30 June 2004, the banking facilities granted to the subsidiaries supported by unlimited cross corporate guarantees given to the banks by certain subsidiaries, were utilized to the extent of approximately HK\$253,098,000.

19. OPERATING LEASE ARRANGEMENTS

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

As at 30 June 2004 and 31 December 2003, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2004 HK\$'000 (Unaudited)	31 December 2003 HK\$'000 (Audited)
Within one year	495	447
In the second to fifth years, inclusive	152	–
	647	447

20. COMMITMENTS

In addition to the operating lease commitments detailed in note 19 above, the Group had the following commitments as at the balance sheet dates:

	30 June 2004 HK\$'000 (Unaudited)	31 December 2003 HK\$'000 (Audited)
Capital commitments, contracted but not provided for:		
Purchases of machinery	1,621	15,892
Construction in progress	11,487	19,786
	13,108	35,678

At 30 June 2004, the Group had a commitment in respect of a capital contribution to a wholly-owned subsidiary established in the PRC, Panyu Kam Hing Textile Dyeing Co., Limited and Guangzhou Kam Sing Textile and Dyeing Co., Ltd., of US\$9,810,036 (approximately HK\$76,322,000) and HK\$5,000,000 due to 23 December 2004 and 2 January 2005, respectively.

21. NET ASSETS OF THE COMPANY

The Company was incorporated on 26 November 2003. As at 30 June 2004, the Company had no assets or liabilities. Pursuant to a group reorganisation, the Company became the holding company of the companies now comprising the Group on 24 August 2004. Had the group reorganisation been completed on 30 June 2004, the net assets of the Company as at that date would have been approximately HK\$378,755,000, representing the Company's investments in its subsidiaries.

22. DISTRIBUTABLE RESERVES

As at 30 June 2004, there were no reserves available for distribution to its shareholders.

23. RELATED PARTY TRANSACTIONS

- (i) The Group had the following material transactions with related parties during the period under review:

	<i>Notes</i>	30 June 2004 HK\$'000 (Unaudited)	30 June 2003 HK\$'000 (Unaudited)
Sales of goods to Wing Hing Knitting (H.K.) Limited ("Wing Hing")	(1)	–	8,085
Fee income from knitting and dyeing services received from Wing Hing	(1)	–	3,055
Rental expense on Directors' quarters paid to Goldwille Investments Limited ("Goldwille")	(2)	213	270
Rental expense on offices paid to Mr. Tai Chin Chun and Mr. Tai Chin Wen	(3)	60	–

Notes:

- (1) The Directors consider that these transactions were conducted in the ordinary and usual course of business of the Group and effected on prices and terms similar to those offered to/granted by other unrelated customers/suppliers of the Group. Wing Hing is a company in which Mr. Tai Chin Chun and Madam Cheung So Wan, Directors, were shareholders and directors. This company was disposed of by the Directors to independent third parties during the year ended 31 December 2003 and ceased to be related company of the Group accordingly. As a result, transactions with Wing Hing subsequent to its disposal by the Directors are not disclosed above. The relevant transactions were discontinued after the Company's shares were listed on the Stock Exchange.
- (2) The rental expense was charged at a fixed amount of HK\$45,000 per month in accordance with the terms specified in the respective rental agreement entered into in prior year. On 1 April 2004, the Group entered into a new tenancy agreement with Goldwille for the same properties at a monthly rental charge of HK\$26,000 for a term of one year, based on the prevailing market rentals.
- (3) On 1 April 2004, the Group entered into a tenancy agreement with Mr. Tai Chin Chun and Mr. Tai Chin Wen, Directors, at a monthly rental charge of HK\$20,000 for a term of one year, based on the prevailing market rentals.
- (ii) The Group's banking and other credit facilities were secured by charges on assets owned and guarantees executed by the Directors and/or related companies, details of which are set out in note 15 and 16 of this section to this report.

MANAGEMENT ANALYSIS AND DISCUSSIONS

Overall review

The Group showed slight growth in terms of both the turnover and profitability during the first six months ended 30 June 2004. The Group recorded unaudited turnover of approximately HK\$702.6 million for the six months ended 30 June 2004, representing a growth of approximately 12.5% over the same period last year, which comprised mainly from sale of finished fabrics. Due to the continuous expansion in production capacity through the addition of plant and machinery, the production volume of the Group is increasing over the years, which in turn contributes to the growth trend in the Group's turnover together with the gross profit. The gross profit for the six months ended 30 June 2004 was approximately HK\$166.0 million, representing a growth rate of approximately 6.2% over the same period last year.

Despite the increase in gross profit, the gross profit margin of approximately 23.6% for the six months ended 30 June 2004 showed a slightly drop from 25.0% for the same period last year. The slight decrease in gross profit margin was mainly due to the fluctuation in the price of cotton yarn during the Period. Depreciation expenses caused by the installation of additional production facilities also explained part of the decrease in gross profit margin.

Due to the increase in total gross profit, the Group recorded unaudited net profit from ordinary activities attributable to shareholders for the six months ended 30 June 2004 of approximately HK\$66.6 million, representing an increase of approximately 3.6% over the same period last year.

The net profit margin for the six months ended 30 June 2004 was approximately 9.5% compared to the net profit margin of approximately 10.3% for the corresponding period in last year. The reduction in net profit margin was mainly due to the decrease in gross profit margin as explained above and the increase in finance costs arising from the setting up of the yarn dyeing facilities.

The Group has enjoyed a steady growth in net profit in the recent years and the Directors are confident that the Group will continue to perform well in the future. The management will further develop the Group by effectively utilizing the proceeds from listing in accordance with the development plans as set out in the section headed "Future plans and use of proceeds" of the Prospectus.

Business review

1. *Manufacture and sale of finished knitted fabrics*

The principal operation of the Group is the manufacture and sale of finished knitted fabrics, which accounted for approximately 99.5% of the Group's total turnover for the six months ended 30 June 2004. During the period under review, turnover from sale of finished knitted fabrics amounted to approximately HK\$699 million, representing a growth of approximately 12.5% over the same period last year.

The growth in turnover from sale of finished knitted fabrics was mainly due to the increase in product demand and the continuous expansion in production capacity by the Group. For the period under review, the accumulative annual capacity of the Group for the knitting and dyeing function was 74.4 million pounds and 101.5 million pounds respectively, which represented 31.2% and 20.5% higher than the accumulative annual capacity of the Group for the respective function for the full year of 2003. Hence, both the total production volume and the corresponding total sales volume of knitted fabrics increased during the period under review. For the six months ended 30 June 2004, the total sales volume of knitted fabrics was approximately 37.6 million pounds, which was 7.9% higher than the total sales volume for the same period last year. This contributed to the increase in turnover from the sale of finished knitted fabrics.

The products of the Group can be broadly classified into three categories, namely basic series, functional series and novelty series. Each series respectively accounted for approximately 58.8%, 28.0% and 13.2% of the total turnover from sale of finished knitted fabrics for the six months ended 30 June 2004. There was no material difference in the composition for the corresponding period in 2003.

As the Group is still in the process of production capacity expansion and the product demand is expected to increase, the growth trend in turnover from sale of knitted fabrics is expected to be sustainable in the foreseeable future.

2. *Provision of knitting and dyeing services*

Fee income from knitting and dyeing services only accounted for approximately 0.5% of the Group's total turnover for both the six months ended 30 June 2004 and the corresponding period in 2003.

3. *Geographical analysis of the Group's turnover*

During the period under review, customers from Singapore, Hong Kong, Taiwan and other areas accounted for 50.7%, 8.7%, 24.2% and 16.4% of the Group's total turnover respectively. Comparing with the corresponding period in last year, there was no significant difference in the geographical distribution of the Group's customers.

Business outlook

The long-term objective of the Group is to become a leading knitted fabric manufacturer in South East Asia offering a wide range of quality knitted fabric products to different markets. The Group has formulated a series of development plans in order to attain this objective.

The Group will further strengthen and expand its market. Singapore, Taiwan and Hong Kong are still the major target markets of the Group and the Group will continue to fortify relationship with existing customers in these areas. According to World Trade Organisation's Agreement on Textiles and Clothing, quota restriction on textile products will be eliminated on 1 January 2005. The Group will treasure this favourable opportunity to penetrate in other overseas markets by reinforcing its sales and marketing team and establishing sales points in identified strategic locations like Korea and Europe.

In the past, some of the yarn dyeing and knitting processes were out-sourced to outsiders. In order to further assure the quality of its products, the Group has set up a new yarn dyeing operation so that the entire operation of the Group become more vertically integrated. It is also expected that the extent of the out-sourcing of certain procedures will gradually decrease because of the expansion in production capacity as discussed below.

The Group intends to expand its production scale by installing new production machinery including cylinder knitting machines, fabric dyeing tanks and other processing facilities. In order to house the additional machinery, the Group intends to construct an additional factory complex with a total floor area of over 22,000 square metres in the Group's existing premises. Upon completion of the expansion, it is expected that each of the Group's annual fabric dyeing and knitting capacities will increase to approximately 120 million pounds by the end of 2005. In view of the production need, the Group also intends to install an additional 18,000 KW power and steam generator in order to ensure a steady supply of electricity and steam for the Group's production.

2004 is a year of milestone for the development of the Group as its shares have been successfully listed on the Stock Exchange. The Group will continue to provide high quality products to its customers and generate higher value to its shareholders. With advanced and expanding production facilities, experienced management team and established publicity and clientele, the Directors are confident that the Group will continue to grow.

FINANCIAL REVIEW

Liquidity, financial resources and capital structure

The Group maintained a sound financial and liquidity position. As at 30 June 2004, the total current assets and current ratio of the Group were approximately HK\$579 million (2003: HK\$485 million) and approximately 1.31 (2003: 1.34) respectively. The total cash and bank deposits balance of the Group as at 30 June 2004 was approximately HK\$17 million (2003: HK\$27 million). The decrease in total cash and bank deposits balance was mainly due to the purchase of production facilities during the Period.

During the period under review, the primary source of funding of the Group was credit facilities provided by its principal bankers in Hong Kong and the PRC. As at 30 June 2004, total bank borrowings for the Group amounted to approximately HK\$291 million, of which 64% was repayable within one year and 36% was repayable in five years. For the total bank borrowings as at 30 June 2004, 64% of the balance was secured and 44% of the balance was charged at fixed interest rates ranging from 4.941% p.a. to 5.04% p.a.. Besides, approximately 17%, 39% and 44% of the balance was denominated in Hong Kong dollars, United State dollars and Renminbi respectively.

The gearing ratio of the Group as at 30 June 2004, which is represented by total interest-bearing debts to total assets, was approximately 29.7% (2003: 27%). The slightly increase in gearing ratio was due to the increase in interest-bearing debts for the establishment of the yarn dyeing facilities.

As at 30 June 2004, the Group had net tangible assets of approximately HK\$379 million, comprising non-current assets of approximately HK\$402 million (comprising only fixed assets), net current assets of approximately HK\$137 million and non-current liabilities of approximately HK\$160 million (comprising bank loans, obligation under finance leases and deferred taxation).

With its available banking facilities and proceeds from the initial public offerings, the Directors are of the view that the Group has sufficient financial resources to meet its working capital and future capital investment requirement.

Exposure to fluctuation in foreign exchange

Although the Company's financial records are denominated in Hong Kong dollars and United States dollars, a portion of the Group's cost is incurred in Renminbi. As the Hong Kong dollars is pegged to the United States dollars and there has not been material fluctuation in the exchange rate between Hong Kong dollars and Renminbi, the Group's exposure to foreign exchange risk is not significant.

Capital expenditure

During the period under review, the Group invested approximately HK\$58 million in the addition of property, plant and equipment and approximately HK\$32 million in the construction of production premises.

As at 30 June 2004, the Group had capital commitments of approximately HK\$1.6 million and HK\$11.5 million in respect of property, plant and equipment and construction in progress respectively. As mentioned before, with its available banking facilities and proceeds from initial public offerings, the Group will be able to fulfill its capital commitments when they fall due.

Charges on assets

As at 30 June 2004, pledged bank deposits of the Group in the amount of approximately HK\$31 million (2003: HK\$31 million) and legal charges over the Group's leasehold land and buildings with a net book value of approximately HK\$11 million (2003: HK\$1 million) were pledged to banks to secure banking facilities granted.

Contingent liabilities

The Group's contingent liabilities as at 30 June 2004 were approximately HK\$178 million (2003: HK\$62 million) in relation to bills discounted with recourse.

As at 30 June 2004, the banking facilities granted to the subsidiaries supported by unlimited cross corporate guarantees given to the banks by certain subsidiaries, were utilized to the extent of approximately HK\$253 million.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was no material acquisition or disposal of subsidiaries and associated companies by the Group for the Period.

HUMAN RESOURCES

As at 30 June 2004, the Group had a total of 1,923 employees, of which 83 of them are in Hong Kong, 1,834 of them are in the PRC and 6 of them are in Singapore. Salaries of employees are maintained at competitive levels while bonuses are granted on a discretionary basis. Other employee benefits include provident fund for all its employees in Hong Kong and social welfare schemes for its employees in PRC.

Share option scheme

On 25 August 2004, the shareholders of the Company adopted the share option scheme ("Share Option Scheme"), which enables the Company to grant options to selected participants as incentive or rewards for their contributions to the Group.

As at the date of this report, no option has been granted or agreed to be granted pursuant to the Share Option Scheme.

DISCLOSURE UNDER RULES 13.13-19 OF THE LISTING RULES

As disclosed in the Prospectus, as at 31 July 2004, the advance with a trade debtor of the Group, Ghim Li Global Pte Ltd ("Ghim Li") amounted to approximately HK\$120.9 million. Ghim Li is an independent third party not connected with the Directors, chief executive, substantial shareholders of the Company or any of its subsidiaries or an associate of any of them. As at 30 June 2004, such trade receivable was approximately HK\$115.0 million. The trade receivable from Ghim Li was arisen in the ordinary course of business of the Group, which are unsecured, interest free and repayable within 120 days.

Save as disclosed above, there were no advances to entities, no financial assistance, no guarantees to affiliated companies of the Company as at 30 June 2004 which were discloseable under Rules 13.13-19 of the Listing Rules.

APPLICATION OF LISTING PROCEEDS

The Company raised net proceeds, without taking into account the exercise of the Over-allotment Option (as defined in the Prospectus), of approximately HK\$186 million by way of the listing of the shares of the Company on the Stock Exchange on 23 September 2004. The Company intends to apply such proceeds in accordance with the proposed allocation as set out in the Prospectus and the announcement of the Company dated 22 September 2004.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the Period. Nevertheless, as set out in the Prospectus, upon listing of the Company on the Stock Exchange, the Company will declare dividends to the then Shareholders in such amount no less than 25% of the audited consolidated profit after tax of the Group.

**DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS
IN SHARES**

The Company was listed on 23 September 2004. The interests and short positions of the Directors and chief executives in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO; or as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors or the chief executives were taken or deemed to have under such provisions of the SFO) and the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules as at the date of this report, were as follows:

(i) The Company

Name	Number of Shares	Capacity	Percentage of holding
Mr. Tai Chin Chun	384,000,000 (Note 1)	Interest of a controlled corporation	60%
	Long position		
	24,000,000 (Note 1)	Short position of a controlled corporation	3.75%
	Short position		
Mr. Tai Chin Wen	96,000,000 (Note 2)	Interest of a controlled corporation	15%
	Long position		
Madam Cheung So Wan	384,000,000 (Note 3)	Interest of spouse	60%
	Long position		
	24,000,000 (Note 3)	Short position of spouse	3.75%
	Short position		
Madam Wong Siu Yuk	96,000,000 (Note 4)	Interest of spouse	15%
	Long position		

(ii) Associated corporations

Name of associated corporation	Name of Directors	Capacity	Number of shares in the associated corporation	Approximate percentage of shareholding in the associated corporation
Exceed Standard Limited ("Exceed Standard")	Mr. Tai Chin Chun	Beneficial owner	1 share of US\$1 Long position	100%
Power Strategy Limited ("Power Strategy")	Mr. Tai Chin Wen	Beneficial Owner	1 share of US\$1 Long position	100%

Notes:

1. The shares are held by Exceed Standard, a company incorporated in British Virgin Island, the entire issued share capital of which is beneficially owned by Mr. Tai Chin Chun, the chairman and an executive Director. Mr. Tai Chin Chun is the younger brother of Mr. Tai Chin Wen. Out of the 384,000,000 shares held by Exceed Standard, 24,000,000 shares are the subject of the securities lending agreement ("Securities Lending Agreement") entered into between Exceed Standard and Tai Fook Securities Company Limited ("Tai Fook Securities"), the lead manager of the initial public offering of the Company, pursuant to which Tai Fook Securities may borrow up to 24,000,000 shares from Exceed Standard to cover any over-allocation in the placing tranche.
2. The Shares are held by Power Strategy, a company incorporated in British Virgin Island, the entire issued share capital of which is beneficially owned by Mr. Tai Chin Wen, an executive Director. Mr. Tai Chin Wen is the elder brother of Mr. Tai Chin Chun.
3. Madam Cheung So Wan is deemed to be interested and have short position in these shares through the interest and short position of her spouse, Mr. Tai Chin Chun.
4. Madam Wong Siu Yuk is deemed to be interested in these shares through the interest of her spouse, Mr. Tai Chin Wen.
5. Save as disclosed above, to the best knowledge of the Directors, as at 23 September 2004, none of the Directors or their associates had any personal, family, corporate or other interest or short positions in any shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register maintained by the Company under Section 352 of the SFO; or as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors or the chief executives were taken or deemed to have under such provisions of the SFO) and the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES

The Company was listed on 23 September 2004. The interests and short positions of the persons, other than directors and chief executives of the Company, in the shares and underlying shares and debentures of the Company, as notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO; or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at the date of this report, were as follows:

Name	Number of Shares	Percentage of holding
Exceed Standard (<i>Note 1</i>)	384,000,000	60%
	Long position	
	24,000,000	3.75%
	Short position	
Power Strategy (<i>Note 2</i>)	96,000,000	15%
	Long position	

Notes:

1. Exceed Standard is a company incorporated in British Virgin Island, the entire issued share capital of which is beneficially owned by Mr. Tai Chin Chun, the chairman and an executive Director. Mr. Tai Chin Chun is the younger brother of Mr. Tai Chin Wen. Out of the 384,000,000 shares held by Exceed Standard, 24,000,000 shares are the subject of the Securities Lending Agreement.
2. Power Strategy is a company incorporated in British Virgin Island, the entire issued share capital of which is beneficially owned by Mr. Tai Chin Wen, an executive Director. Mr. Tai Chin Wen is the elder brother of Mr. Tai Chin Chun.
3. Save as disclosed above, as at 23 September 2004 and to the best knowledge of the Directors, there was no person (other than the directors and chief executive of the Company) whose interests are set out in the paragraph "Directors' and chief executive's interests and short positions in shares" above, had an interest or short position in the shares and underlying shares and debentures of the Company, as notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO; or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Save for the re-organisation of the Group in the preparation of the listing of the Company as disclosed in the Prospectus, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Period.

CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the period between 23 September 2004, being the date on which the shares of the Company just commenced dealings on the Stock Exchange, and the date of this report, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted its own code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code as set out in Appendix 10 of the Listing Rules; and after having made specific enquiry to all Directors, it is reasonably indicated that the required standard set out in the Model Code and its code of conduct regarding Directors' securities transactions has been fully complied with during the Period.

AUDIT COMMITTEE

The audit committee has discussed with management the accounting policies and practices adopted by the Group. It has further reviewed the internal control and financial reporting matters of the unaudited combined interim financial information for the six months ended 30 June 2004.

APPROVAL OF UNAUDITED COMBINED INTERIM FINANCIAL INFORMATION

The unaudited combined interim financial information for the six months ended 30 June 2004 was approved and authorized for issue by the Board on 24 September 2004.