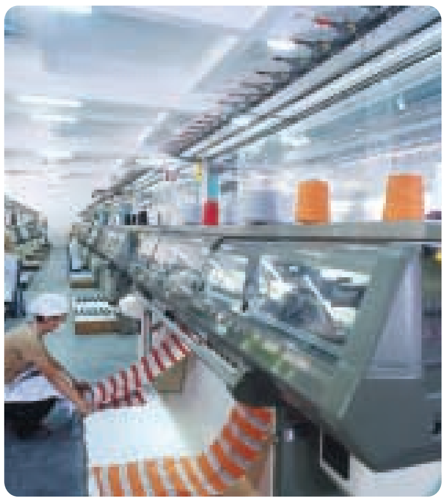
KAM HING INTERNATIONAL HOLDINGS LIMITED

錦 興 國 際 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)



Interim Report **2005**

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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
Mr. Chong Chau Lam
(re-designated from an independent non-executive director to an executive director and resigned as a member of audit committee with effect from 1 July 2005)

Independent Non-Executive Directors

Mr. Chan Yuk Tong
Madam Chu Hak Ha, Mimi
Mr. Ku Shiu Kuen, Anthony
(appointed on 1 July 2005)

Audit Committee

Mr. Chan Yuk Tong *(Chairman)*
Madam Chu Hak Ha, Mimi
Mr. Ku Shiu Kuen, Anthony
(appointed on 1 July 2005)

Company Secretary

Mr. Wong Wai Kong, Elmen

Auditors

Ernst & Young

Website

www.kamhingintl.com

Registered Office

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

Head Office and Principal Place of Business

Units 1-9, 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

Stock Code

The Stock Exchange of Hong Kong: 2307
CUSIP Reference Number: G5213T101

KEY HIGHLIGHTS

The board of directors (the "Board") of Kam Hing International Holdings Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2005 (the "Period"), together with the comparative figures in 2004. The interim results are unaudited, but have been reviewed by the audit committee of the Company.

- Comparing with the period for the six months ended 30 June 2004,
  - Turnover for the Period increased by approximately 8.2% to approximately HK$760 million; and
  - Gross profit for the Period increased by approximately 14.2% to approximately HK$189.6 million; and
  - Net profit for the Period increased by approximately 4.9% to approximately HK$69.9 million.

CHAIRMAN'S STATEMENT

On behalf of the Board of Kam Hing International Holdings Limited, I am pleased to announce its unaudited consolidated results for the six months ended 30 June 2005.

For the six months ended 30 June 2005, the Group's turnover increased by approximately 8.2% to HK$760 million when compared with that for the corresponding period in 2004. Net profit attributable to shareholders surged by approximately 4.9% to HK$69.9 million. Gross profit margin and net profit margin was increased by approximately 1.3% points and decreased by approximately 0.3% points from 23.6% to 24.9% and from 9.5% to 9.2% respectively.

The Period under review was challenging to the Group. Owing to the shortage in electricity and water supply in the Group's production facilities in the People's Republic of China (the "PRC"), the management had to impose measures including the optimization of production planning and securing alternative water supply to minimize any adverse effect caused to the Group's production. Despite the difficulty faced by the Group in the production environment, with the flexible alternative measures taken by the management, the devotion of the Group's effort in its production business and an experienced and skilful research and development and marketing team, the Group is able to keep on a growth track.

After the Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 23 September 2004, the Company has sped up the investment in production facilities. The construction of the new knitting complex has been completed and knitting machines were relocated to the premises in May 2005 and this in turn enhanced the production efficiency of the Group. Besides, the second phase of power plant, which included the installation of a second coal-fired electricity generator, was completed in June 2005. As a result, the Group's production capacity drastically rose by approximately 257% to 25 million Watt. With the installation of such electricity generator, stable and sufficient supply of steam and electricity is ensured, production cost is reduced, profitability is consequently increased and all of these enhance the Group's operating efficiency and competitive edge.

With robust expansion plan in recent years, the Group poses the advanced production facilities and equipment in the market, including the central knitting complex, yarn dyeing factory and the newest model of the fabrics dyeing facilities. The advanced production facilities and equipment enable the Group to sustain constant growth by capturing market share in light of the consolidation of textile market in the recent years.

Export restrictions imposed by western countries and PRC's self regulatory measures have no material impact to the Group as most of the Group's products were delivered to the oversea garment manufacturers directly. The Group maintained an optimistic view on the future development of quota elimination, especially when the Group has continuously improved its production facilities and competitiveness. I believe that the Group will be able to capture market opportunity after removal of the quota limitation.

With the optimistic outlook in the second half year of 2005, the Group has not only continuously expanded sales network and production facilities, but also strengthened its research and development and marketing resources with a view to fulfill the increasing demands from customers. The Group will continue to expand its knitting, fabric dyeing and yarn dyeing capacity to cater for the increasing orders from customers.

In order to reduce interest expenses and further strengthen the financial status, the Group has signed a syndicated loan of HK$305 million with a bank syndicate of 8 international and local banks on 15 July 2005. The facility received overwhelming response in the syndicated loan market. The net proceeds from the facility will be used for general working capital of the Group, repayment of current bank loan and to finance the future expansion of the Group's production capacity.

In July 2005, Renimbi appreciated by 2% and it increased the manufacturing cost in the PRC. However, as most of the Group's raw materials are purchased in terms of US dollars, the increase in cost is not significant and such increase in cost will be further alleviated when the Group is continuously developing the PRC domestic market.

Finally, on behalf of the Board, I would like to express my sincere gratitude to the shareholders, investors and business partners for their continuous support and dedication and to the staff for their devotion. I believe that the Group will be able to grasp all valuable opportunities and continue to position itself as a preferred partner for the international brand operators.

Tai Chin Chun
Chairman

Hong Kong, 16 September 2005

MANAGEMENT DISCUSSION AND ANALYSIS

Overall result

The Group recorded unaudited turnover of approximately HK$760 million for the six months ended 30 June 2005 comprising fabrics and dyed yarn sales of approximately HK$716.4 million and approximately HK$43.6 million respectively, representing an overall growth of approximately 8.2% over the same period last year and an increase of approximately 2.5% in fabrics sales over the same period last year. The growth in turnover was attributable to the expansion of the domestic market of the PRC and the commencement of the yarn dye operation since September last year.

The gross profit for the six months ended 30 June 2005 was approximately HK$189.6 million, representing a growth rate of approximately 14.2% over the same period last year. The gross profit margin of approximately 24.9% for the six months ended 30 June 2005 showed an increase of approximately 1.3% points over the gross profit margin of approximately 23.6% for the same period last year. The slightly increase in gross profit margin was mainly due to the continuous enhancement of production efficiency especially after setting up of the Group's yarn dyeing production line and outsource of yarn dyeing is reduced.

Unaudited net profit from ordinary activities attributable to shareholders for the six months ended 30 June 2005 was approximately HK$69.9 million, representing an increase of approximately 4.9% over the same period last year. The net profit margin for the six months ended 30 June 2005 was approximately 9.2%, which was decreased by approximately 0.3% points from the corresponding period of approximately 9.5% last year. Administrative and selling expenses increased by about 22.8% mainly due to growth of turnover and increase in number of marketing and general staff as well as general expenses for the new yarn dyeing operation.

The Group has achieved a steady growth in the recent years and the directors are confident that the Group will continue to perform well in the future in view that the Group has been continuously expanding its market network and upgrading its production facilities.

Business review

1. *Manufacture and sale of finished knitted fabrics and dyed yarn*

The principal operation of the Group is the manufacture and sale of finished knitted fabrics and dyed yarn, which accounted for about 94.3% and 5.7% of the Group's total turnover for the six months ended 30 June 2005. During the Period under review, turnover from sale of finished knitted fabrics amounted to approximately HK$716.4 million, representing a growth of approximately 2.5% over the same period last year, whilst turnover for yarn dyeing was approximately HK$43.6 million which recorded a steady growth after commencement of operation in September last year when the Group gained more operating experience in yarn dyeing and continuously improve its efficiency.

For the Period under review, there is no significant increase in the production capacity as most of the expansion projects are either underway or just completed. The Group's monthly capacity of knitting, fabric dyeing and yarn dyeing was maintained at approximately 7 million, 9 million, and 2.5 million pound, respectively as at 30 June 2005. The production capacity will further increase in the second half year of 2005 to cater for the demand of customers.

During the Period, the Group has spent much effort in developing overseas and the PRC domestic market by recruiting staff of high calibre and enhancing communication and marketing works with potential customers.

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

During the Period under review, customers from Singapore, Hong Kong, Taiwan, PRC and other areas accounted for about 48%, 12.6%, 13.5%, 12% and 13.9% of the Group's total turnover respectively. The Group started to develop the PRC domestic market since October 2004 and recorded substantial achievement of turnover of about HK$91 million in the first half year of 2005 by successful soliciting some renowned PRC brands. Besides, sales to Singapore and Hong Kong increased by about 2.3% and 56.5% respectively because of enhancement of customer services in the regions, whilst sales to Taiwan reduced by about 39.5% mainly because of reducing orders from customers.

Business outlook

Facing a competitive market, the Group has been implementing a series of projects to sustain its competitive advantages. The Group has been continuously invested in the production facilities and strengthened its marketing and research and development resources by recruiting calibre personnel. In addition, the Group is continuously improving its information system, which includes the replacement of the existing ERP and human resources management system. The Group believes that these efforts will bring substantial improvement in efficiency and reduction in production cost in future.

Yarn dyeing is one of the driving forces for the Group's future development. The Group's new yarn dyeing production line has increased production efficiency progressively since its establishment in September 2004. The Group has successfully extended its sales network to the dyed yarn by soliciting some renowned brands. The Group is confident that sales of dyed yarn will record substantial growth in the second half year of 2005.

Although the Group is not affected by the quota restriction in the recent months in light of the fact that most of the Group's products are directly exported instead of delivering to the garment manufacturers based in the PRC, the Group is continuing to improve its competitiveness with a view to capture market growth in the post-quota stage. Development of the PRC domestic market is one of the steps to diversify customer horizons with a view to reduce the long-term inherent risk.

FINANCIAL REVIEW

Liquidity, financial resources and capital structure

The Group maintained a healthy financial and liquidity position. As at 30 June 2005, the total current assets and current ratio of the Group were approximately HK$946.8 million (2004: HK$633.9 million) and approximately 1.10 (2004: 1.30) respectively. The total cash and bank deposits balance of the Group as at 30 June 2005 was approximately HK$57.2 million (2004: HK$124.8 million).

As at 30 June 2005, total bank borrowings for the Group amounted to approximately HK$603.3 million, of which 83.9% was repayable within one year and 16.1% was repayable within two to five years. For the total bank borrowings as at 30 June 2005, 15.5% of the balance was secured under finance lease and 11% of the balance was charged at fixed interest rates. Besides, 32.3%, 55.6% and 11% of the balance was denominated in HK$, US$ and RMB respectively.

The net debt gearing ratio of the Group as at 30 June 2005 (bank borrowings net of cash on hand and bank deposits to equity) was approximately 82% (2004: 38.7%). Increase in net debt gearing ratio was mainly due to the inclusion of discounted bills with recourse of approximately HK$175 million in compliance with the new HKAS 39, whilst the discounted bills with recourse of HK$106.4 million was recorded as contingent liabilities as at 31 December 2004. For the purpose of comparison on same basis as last year, the net debt gearing ratio as at 30 June 2005 was approximately 55.7% by excluding the discounted bills with recourse of HK$175 million.

As at 30 June 2005, the Group had net tangible assets of approximately HK$665.8 million, comprising non-current assets of approximately HK$680.4 million, net current assets of approximately HK$82.7 million and non-current liabilities of approximately HK$97.3 million.

As at 15 July 2005, the Group has successfully obtained a 3-year syndicated loan facility amounting to HK$305 million from a syndicate of eight international and local banks at interest rate of HIBOR plus 0.7% per annum for supplying additional working capital, repaying current bank loan and financing future expansion of production capacity. In addition, apart from reducing interest expenses, this syndicated loan facility could strengthen the Group's financial position by funding long-term investment by long term financing. The Group is carefully planned to ensure it has sufficient financial resources to meet its working capital and future capital investment requirement.

Exposure to fluctuation in foreign exchange

The Company's transactions are denominated in HK$, US$ and RMB. As the HK$ is pegged to the US$, there has not been material fluctuation in the exchange rate between HK$ and US$. The financial effect of RMB appreciation by 2% against US$ on 21 July 2005 to the Group is not significant as most of the Group's raw materials are purchased in terms of US$. As a whole, the Group's exposure to foreign exchange risk is not significant.

Charge on the Group's Assets

As at 30 June 2005, certain plant and machinery and motor vehicles of the Group with an aggregate net book value of approximately HK$188.4 million (2004: HK$148.6 million) were under finance lease.

Capital expenditure

During the Period, the Group invested approximately HK$154.7 million in fixed assets, of which approximately 64.6% was used for the purchase of plant and machinery, approximately 26.8% was used for the construction of new factory premises and the remaining was used for the purchase of other fixed assets.

As at 30 June 2005, the Group had capital commitments of approximately HK$15.2 million and HK$28.8 million in respect of plant and equipment and construction in progress respectively. As mentioned before, the Group will be able to fulfill its capital commitments when they fall due.

Contingent liabilities

The Group adopted the new HKAS 39 to account for the bills discounted with recourse. Therefore, the Group's discounted bills with recourse of approximately HK$175 million, which were previously not recognized but treated as contingent liabilities, have been re-recognized as bills receivable of the Group and the corresponding proceeds have been reflected as bank advances in the balance sheet as at 30 June 2005.

As at 30 June 2005, 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$602 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 2005, the Group had a total of 3,051 employees, of which 109 are in Hong Kong, 2,923 in PRC and 19 in other locations. 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 the PRC and other locations in accordance with the respective countries' statutory requirements.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the Period. Depending on the cash position, operating capital and investment requirement, the Group intends to pursue a dividend policy of distributing in such amount no less than 25% of the audited consolidated profit after tax of the Group.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The proceeds from the Company's issue of new shares at the time of its listing on the Stock Exchange in September 2004, after deduction of related issue expenses, amounted to approximately HK$186.2 million, of which HK$66.3 million was utilized as at 31 December 2004. These proceeds were partially utilised during the six months ended 30 June 2005 in accordance with the proposed applications set out in the prospectus of the Company dated 14 September, 2004 (the "Prospectus"), as follows:

- approximately HK$22.7 million was used for the expansion of production capacity, of which approximately HK$3 million for the acquisition of additional knitting facilities, approximately HK$3.1 million was used for the acquisition of additional fabric dyeing tanks, approximately HK$9 million for the acquisition of processing facilities, and approximately HK$7.6 million was used for the construction of factory buildings for such an expansion;

- approximately HK$22.7 million was used for the installation of an additional power and steam generator;

- approximately HK$11 million was used for the purchase of additional machinery required for the yarn dyeing operation;

- approximately HK$5 million was used for the expansion of the marketing distribution network; and

- approximately HK$1.5 million was used for the product development.

The remaining net proceeds at 30 June 2005 of approximately HK$57 million were placed as bank balances in Hong Kong. The directors intend to use the net proceeds in the manner as disclosed in the Prospectus.

DISCLOSURE UNDER RULES 13.13-19 OF THE LISTING RULES

Based on the Group's latest published figures of total asset value of approximately HK$1,186 million as at 31 December 2004 and the market capitalization of approximately HK$764 million as at 30 June 2005, the advance with a trade debtor of the Group, Ghim Li Global Pte Ltd ("Ghim Li") continues to be discloseable under Rules 13.13-19 of the Rules Governing the Listing of Securities (the "Listing Rules").

As at 30 June 2005, such trade receivable is approximately HK$104.4 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. The trade receivable from Ghim Li was arisen in the ordinary course of business of the Group. The balance of HK$33 million was secured by letter of credits received from Ghim Li, whilst the remaining balance of HK$71.4 million was unsecured, interest free and repayable within 120 days.

Save as disclosed above, there are no advance to entity, no financial assistance, and no guarantees to affiliated companies of the Company as at 30 June 2005 which are discloseable under Rules 13.13-19 of the Listing Rules.

OTHER INFORMATION

Directors' Interests in Shares and Underlying Shares

As at 30 June 2005, the interests of the directors 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 of the Company:

Name	*Notes*	Capacity and nature of interest	Number of shares	Percentage of the Company's issued share capital
Mr. Tai Chin Chun	1	Through a controlled corporation	384,000,000	60%
Mr. Tai Chin Wen	2	Through a controlled corporation	96,000,000	15%
Madam Cheung So Wan	3	Through spouse	384,000,000	60%
Madam Wong Siu Yuk	4	Through spouse	96,000,000	15%

Long positions in ordinary shares of an associated corporation:

Name of director	Name of associated corporation	Relationship with the Company	Number of shares	Capacity and nature of interest	Percentage of the associated corporation's issued share capital
Mr. Tai Chin Chun	Exceed Standard Limited	Ultimate holding company	1 share of US$1	Directly beneficially owned	100%

Notes:

1. The 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.

2. The shares are held by Power Strategy Limited ("Power Strategy"), a company incorporated in the BVI and beneficially owned by Mr. Tai Chin Wen.

3. Madam Cheung So Wan is deemed to be interested in these shares through the interest 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.

The interests of the directors in the share options of the Company are separately disclosed in the share option scheme below.

Save as disclosed above, as at 30 June 2005, none of the directors had registered an 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 share option scheme below, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding 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

Pursuant to the Company's share option scheme, the following share options were outstanding as at 30 June 2005:

Name or category of participant	Number of share options: At 1 January 2005	Lapsed during the period	At 30 June 2005	Date of grant *(Note 1)*	Exercise period	Exercise price *(Note 2)*	Price of Company's shares at grant date *(Note 3)*
Directors							
Tai Chin Chun	3,000,000	–	3,000,000	6 October 2004	6 October 2005 to 5 October 2014	HK$1.28	HK$1.24
Tai Chin Wen	2,000,000	–	2,000,000	6 October 2004	6 October 2005 to 5 October 2014	HK$1.28	HK$1.24
Cheung So Wan	1,000,000	–	1,000,000	6 October 2004	6 October 2005 to 5 October 2014	HK$1.28	HK$1.24
Wong Siu Yuk	1,000,000	–	1,000,000	6 October 2004	6 October 2005 to 5 October 2014	HK$1.28	HK$1.24
Subtotal	7,000,000	–	7,000,000				
Non-director employees							
In aggregate	18,606,000	(515,000)	18,091,000	6 October 2004	6 October 2005 to 5 October 2014	HK$1.28	HK$1.24
Others							
In aggregate	1,260,000	–	1,260,000	6 October 2004	6 October 2005 to 5 October 2014	HK$1.28	HK$1.24
Total	26,866,000	(515,000)	26,351,000				

Notes:

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

2. 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.

3. The price of the Company's shares disclosed as at the date of grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of grant of the share options.

Substantial Shareholders' Interests in Shares and Underlying Shares

As at 30 June 2005, the interests in 5% or more of the issued share capital of the Company (other than the directors of the Company), as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, were as follows:

Long positions in ordinary shares of the Company:

Name	**Capacity and nature of interest** *(Note)*	**Number of shares**	**Percentage of the Company's issued share capital**
Exceed Standard	Directly beneficially owned	384,000,000	60%
Power Strategy	Directly beneficially owned	96,000,000	15%

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 under the heading "Directors' Interests in Shares and Underlying Shares" above.

Saved as disclosed above, as at 30 June 2005, to the best knowledge of the directors, there was no person, other than the directors of the Company whose interests are set out under the heading "Directors' Interests in Shares and Underlying Shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

Code on Corporate Governance Practices

The Company is committed to maintain good corporate governance practices and to establish a remuneration committee, a nomination committee and an audit committee.

The Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules for the six months ended 30 June 2005, except for the deviation from the code provisions A.4.2 and B.1.1 as described below.

Under the second part of code provision A.4.2 of the Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

According to the article 87 of the Company's Articles of Association (the "Articles"), at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation provided that the chairman of the Board and/or the managing director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year.

In order to ensure full compliance with code provision A.4.2, a special resolution will be proposed to amend the relevant provisions of the Articles at the coming annual general meeting of the Company.

During the Period, the Company had not established a remuneration committee under code provision B.1.1 and such committee was established on 16 September 2005. Details of the committee is set out in the paragraph headed "Remuneration Committee and Nomination Committee" below.

Remuneration Committee and Nomination Committee

The Company has established the remuneration committee and the nomination committee on 16 September 2005 with defined written terms of reference, which are available to shareholders upon request and are of no less exacting terms than those duties set out in the Code. To reinforce independence, a majority of members of both the committees are independent non-executive directors.

The remuneration committee comprises three independent non-executive Directors, namely Mr. Chan Yuk Tong, Madam Chu Hak Ha, Mimi and Mr. Ku Shiu Kuen, Anthony 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 of Directors on the remuneration packages of all executive directors and senior management to ensure that such remuneration is reasonable and not excessive.

The nomination committee also comprises three independent non-executive Directors, namely Mr. Chan Yuk Tong, Madam Chu Hak Ha, Mimi and Mr. Ku Shiu Kuen, Anthony 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 of Directors on the selection of board members to ensure that suitable individuals are nominated for filling vacancies on the directorships.

Audit Committee

The Company already established the audit committee in compliance with Rule 3.21 of the Listing Rules prior to its listing on the Main Board of the Stock Exchange with defined written terms of reference, which are available to shareholders upon request. All members of the audit committee are independent non-executive directors.

The audit committee comprises three independent non-executive Directors, namely Mr. Chan Yuk Tong, Madam Chu Hak Ha, Mimi and Mr. Ku Shiu Kuen, Anthony. The audit committee is primarily responsible for reviewing and providing supervision over the Group's financial reporting process and internal controls.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the directors. Based on specific enquiry of the Company's directors, the directors have complied with the required standard set out in the Model Code for the six months ended 30 June 2005.

Approval of the Unaudited Interim Financial Statements

The audit committee has discussed with management the accounting policies adopted by the Group and reviewed the unaudited interim financial statements of the Group for the six months ended 30 June 2005 before recommending them to the board of directors for approval. The unaudited interim financial statements were approved and authorized for issue by the board of directors on 16 September 2005.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the period ended 30 June 2005

	Notes	**Six months ended 30 June 2005 HK$'000 (Unaudited)**	Six months ended 30 June 2004 HK$'000 (Unaudited)
Turnover	3	**760,005**	702,640
Cost of sales		**(570,406)**	(536,633)
Gross profit		**189,599**	166,007
Other revenue	3	**3,838**	2,626
Selling and distribution costs		**(44,300)**	(38,164)
Administrative expenses		**(60,913)**	(47,508)
Other operating income/ (expenses), net		**1,186**	2,400
Profit from operating activities	4	**89,410**	85,361
Finance costs	5	**(9,107)**	(7,045)
Profit before tax		**80,303**	78,316
Tax	6	**(10,370)**	(11,680)
Net profit from ordinary activities attributable to shareholders		**69,933**	66,636
Interim dividend	7	**Nil**	Nil
Earnings per share:	8		
–Basic		**HK10.93 cents**	HK13.9 cents
–Diluted		**HK10.90 cents**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2005

	Notes	30 June 2005 HK$'000 (Unaudited)	31 December 2004 HK$'000 (Audited and restated)
NON-CURRENT ASSETS			
Fixed assets	9	**660,258**	531,363
Prepaid lease premiums for land	9	**20,038**	20,262
Deferred tax assets		**76**	76
		680,372	551,701
CURRENT ASSETS			
Inventories		**392,451**	304,861
Accounts and bills receivable	10, 15	**482,018**	193,434
Prepayments, deposits and other receivables		**15,137**	10,762
Pledged deposits		**–**	7,948
Cash and bank balances		**57,225**	116,879
		946,831	633,884
CURRENT LIABILITIES			
Accounts and bills payable	11	**309,598**	171,832
Accrued liabilities and other payables		**32,983**	32,304
Tax payable		**15,454**	18,478
Discounted bills with recourse	15	**175,014**	–
Interest-bearing bank borrowings	12, 13	**288,304**	226,812
Finance lease payables	14	**42,776**	36,552
		864,129	485,978
NET CURRENT ASSETS		**82,702**	147,906
TOTAL ASSETS LESS CURRENT LIABILITIES		**763,074**	699,607
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	12, 13	**46,465**	53,467
Finance lease payables	14	**50,782**	42,007
Deferred tax liabilities		**23**	23
		97,270	95,497
		665,804	604,110
CAPITAL AND RESERVES			
Issued capital		**64,000**	64,000
Reserves		**601,804**	529,870
Proposed final dividend		**–**	10,240
		665,804	604,110

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2005

	Issued capital HK$'000	Share premium account HK$'000	Capital reserve HK$'000	Statutory surplus reserve HK$'000	Employee share-based compensation reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000
At 1 Jan 2004	200	–	104,804	13,200	–	193,915	–	312,119
Profit for the period	–	–	–	–	–	66,636	–	66,636
Transfer to reserve	–	–	–	1,600	–	(1,600)	–	–
At 30 Jun 2004	200	–	104,804	14,800	–	258,951	–	378,755
At 31 Dec 2004								
As previously reported	64,000	122,429	104,804	16,400	–	286,237	10,240	604,110
Effects of changes in accounting policies *(note 1(c))*	–	–	–	–	1,000	(1,000)	–	–
As restated	64,000	122,429	104,804	16,400	1,000	285,237	10,240	604,110
At 1 Jan 2005-as restated	64,000	122,429	104,804	16,400	1,000	285,237	10,240	604,110
Employee share option benefits	–	–	–	–	2,000	–	–	2,000
Profit for the period	–	–	–	–	–	69,933	–	69,933
Final dividend-2004	–	–	–	–	–	–	(10,240)	(10,240)
Transfer to reserve	–	–	–	2,300	–	(2,300)	–	–
At 30 Jun 2005	**64,000**	**122,429**	**104,804**	**18,700**	**3,000**	**352,870**	**–**	**665,804**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the period ended 30 June 2005

	30 June 2005 *HK$'000* (Unaudited)	30 June 2004 *HK$'000* (Unaudited)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	**(40,782)**	(20,498)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(101,747)**	(56,994)
NET CASH INFLOW FROM FINANCING ACTIVITIES	**83,111**	67,816
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(59,418)**	(9,676)
Cash and cash equivalents at beginning of period	**116,643**	27,061
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**57,225**	17,385

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated accounts have been prepared on a basis consistent with the principal accounting policies adopted in the 2004 annual accounts, except that the Group has changed certain of its accounting policies following the adoption of the new Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKASs") (collectively the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for accounting periods beginning on or after 1 January 2005. Apart from certain presentational changes by the adoption of new applicable HKFRSs as set out below, the other new HKFRSs have no material effect on how the results for the current or prior accounting periods are prepared and presented.

(a) Lease Prepayments

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from fixed assets to operating leases. In previous periods, owner-occupied leasehold land and buildings were included in fixed assets and measured using the cost model at cost less accumulated depreciation and any impairment losses. In current period, the Group has applied HKAS 17 Leases. Under HKAS 17, the land elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortized over the lease term on a straight-line basis. This change in accounting policy has no material effect on the opening balance of the retained profits, no prior year adjustment is made accordingly.

(b) Financial Instruments

In the current period, the Group has applied HKAS 39 Financial Instruments: Recognition and Measurement. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit to recognize, derecognize or measure financial assets and liabilities on a retrospective basis. Under HKAS 39, a financial assets is derecognized, when and only when, either the contractual rights to the asset's cash flows expire, or the asset is transferred and the transfer qualifies for derecognition in accordance with HKAS 39. The decision as to whether a transfer qualifies for derecognition is made by applying a combination of risks and rewards and control tests. The Group has applied the revised accounting policy prospectively for transfers of financial assets on or after 1 January 2005.

In accordance with HKAS 39, the Group's discounted bills with recourse have now been accounted for as collateralized bank advances prospectively as at 30 June 2005, as the financial assets derecognition conditions as stipulated in HKAS 39 have not been fulfilled and the balance as at 31 December 2004, which were previously treated as contingent liabilities prior to 1 January 2005, have not been restated.

(c) Share-based Payments

In the current period, the Group has applied HKFRS 2 Share-based Payments which requires an expense to be recognized where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognize the financial effect of these share options until they were exercised.

Following the adoption of HKFRS 2, the fair value of share options at grant date is charged to the consolidated profit and loss account of relevant accounting periods. As a transitional provision, HKFRS 2 has been applied retrospectively for all share options granted after 7 November 2002 and had not yet vested upon 1 January 2005. The adoption of HKFRS 2 resulted in a decrease in the opening balance of the retained profits as at 1 January 2005 by HK$1 million, since the grant of the share option in October 2004.

(i) The effect of changes in the above accounting policies on the consolidated profit and loss account is as follows:

Increase/(decrease) in profit	**HKAS 17** *HK$'000*	**HKFRS 2** *HK$'000*	**Total** *HK$'000*
For the six months ended 30 June 2005 (unaudited)			
Increase in employee share option benefits	**–**	**(2,000)**	**(2,000)**
Decrease in depreciation	**224**	**–**	**224**
Increase in amortization of lease prepayment	**(224)**	**–**	**(224)**
Total decrease in profit	**–**	**(2,000)**	**(2,000)**
Decrease in basic earnings per share (HK cents)	**–**	**(0.31)**	**(0.31)**
For the six months ended 30 June 2004 (unaudited)			
Decrease in depreciation	213	–	–
Increase in amortization of lease prepayment	(213)	–	–
No change in profit	–	–	–

(ii) The effect of changes in the above accounting policies on the consolidated balance sheet is as follows:

	HKAS 17	HKAS 39	HKFRS 2	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 Jan 2005 (audited and restated)				
Decrease in fixed assets	(20,262)	–	–	(20,262)
Increase in prepaid lease premiums for land	20,262	–	–	20,262
Increase in employee share-based compensation reserve	–	–	1,000	1,000
Retained profits	–	–	(1,000)	(1,000)
At 30 June 2005 (unaudited)				
Decrease in fixed assets	**(20,038)**	**–**	**–**	**(20,038)**
Increase in prepaid lease premiums for land	**20,038**	**–**	**–**	**20,038**
Increase in bills receivable	**–**	**175,014**	**–**	**175,014**
Increase in discounted bills with recourse	**–**	**(175,014)**	**–**	**(175,014)**
Increase in employee share-based compensation reserve	**–**	**–**	**3,000**	**3,000**
Retained profits	**–**	**–**	**(3,000)**	**(3,000)**

The condensed consolidated accounts have been prepared in accordance with the HKAS 34 "Interim financial reports" issued by the HKICPA and the disclosure requirements of the Listing Rules on the Stock Exchange.

2. 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 and dyed yarn.

A geographical segment analysis of the Group's financial results for the period ended 30 June 2005, with comparative figures for the period ended 30 June 2004, is summarized below:

(i) Geographical segments based on the location of customers

	Singapore HK$'000	Taiwan HK$'000	Hong Kong HK$'000	PRC HK$'000	Others HK$'000	Consolidated HK$'000
Six months ended 30 June 2005 (Unaudited)						
Segment revenue:						
Sales to external customers	**364,776**	**102,770**	**95,854**	**91,042**	**105,563**	**760,005**
Other revenue	**1,347**	**379**	**354**	**336**	**390**	**2,806**
Total	**366,123**	**103,149**	**96,208**	**91,378**	**105,953**	**762,811**
Segment results	**77,565**	**22,817**	**21,299**	**20,213**	**23,188**	**165,082**
Interest and other unallocated income						**1,032**
Unallocated expenses, net						**(76,704)**
Profit from operating activities						**89,410**
Finance costs						**(9,107)**
Profit before tax						**80,303**
Tax						**(10,370)**
Net profit from ordinary activities attributable to shareholders						**69,933**

	Singapore HK$'000	Taiwan HK$'000	Hong Kong HK$'000	Others HK$'000	Consolidated HK$'000
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

(ii) Geographical segments based on the location of assets

	Singapore HK$'000	Hong Kong HK$'000	PRC HK$'000	Others HK$'000	Consolidated HK$'000
Segment assets					
As at 30 June 2005 (Unaudited)	**669**	**469,819**	**1,156,420**	**295**	**1,627,203**
As at 31 December 2004 (Audited)	547	306,661	877,020	1,357	1,185,585
Capital expenditure					
Six months ended 30 June 2005 (Unaudited)	**33**	**3,729**	**150,947**	**–**	**154,709**
Six months ended 30 June 2004 (Unaudited)	21	648	90,797	347	91,813

3. 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 2005 ***HK$'000*** **(Unaudited)**	Six months ended 30 June 2004 *HK$'000* (Unaudited)
Turnover		
Sale of goods	**760,005**	698,950
Fee income from knitting and dyeing services	**–**	3,690
	760,005	702,640
Other revenue		
Fee income from freight handling services	**2,806**	1,642
Interest income	**166**	93
Others	**866**	891
	3,838	2,626
	763,843	705,266

4. PROFIT FROM OPERATING ACTIVITIES

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

	Six months ended 30 June 2005 *HK$'000* **(Unaudited)**	Six months ended 30 June 2004 *HK$'000* (Unaudited and restated)
Cost of inventories sold	**571,012**	533,985
Cost of services provided	**2,688**	4,220
Auditors' remuneration	**470**	782
Research and development costs	**1,528**	1,060
Depreciation for fixed assets	**25,814**	15,126
Amortisation for prepaid land premiums	**224**	213
Staff costs (including directors' remuneration):		
Wages and salaries	**42,565**	31,452
Pension scheme contributions	**1,421**	1,817
Total staff costs	**43,986**	33,269
Employee share option expenses	**2,000**	–
Minimum lease payments under operating leases in respect of buildings	**445**	249
Loss on disposal of fixed assets	**–**	8
Write back of provision for doubtful debts	**(147)**	(107)
Write back of provision against other receivables	**–**	(200)
Exchange gains, net	**(1,078)**	(2,118)

5. FINANCE COSTS

	Six months ended 30 June 2005 *HK$'000* **(Unaudited)**	Six months ended 30 June 2004 *HK$'000* (Unaudited)
Interest on bank loans and other loans wholly repayable		
– within five years	**7,675**	5,937
Interest on finance leases	**1,432**	1,108
	9,107	7,045

6. TAX

	Six months ended 30 June 2005 *HK$'000* **(Unaudited)**	Six months ended 30 June 2004 *HK$'000* (Unaudited)
Current tax – Hong Kong		
Charge for the period	**4,760**	9,141
(Over-provision) in respect of prior periods	**(660)**	–
Current tax – Elsewhere		
Charge for the period	**6,149**	3,015
Under-provision/(over-provision)		
in respect of prior periods	**121**	(476)
Total tax charge for the period	**10,370**	11,680

Profits tax in Hong Kong is calculated at 17.5% on the estimated assessable profits for the period (2004: 17.5%). Tax in elsewhere is calculated at tax rates prevailing in the respective jurisdictions.

7. DIVIDEND

The Board has resolved not to declare any interim dividend for the period (2004: nil).

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the Period of HK$69,933,000 (2004: HK$66,636,000) and the weighted average of 640,000,000 (2004: 480,000,000) shares in issue during the Period.

The calculation of diluted earnings per share for the period ended 30 June 2005 is based on the net profit attributable to shareholders for the Period of HK$69,933,000 and the weighted average of 641,324,000 shares in issue during the Period, comprising 640,000,000 shares used in the basic earnings per share calculation and the weighted average of 1,324,000 shares assumed to have been issued on the deemed exercise of all share options outstanding during the Period.

There were no dilutive potential ordinary shares in existence for the period ended 30 June 2004 and, accordingly, no diluted earnings per share has been presented.

9. FIXED ASSETS AND PREPAID LEASE PREMIUMS FOR LAND

Fixed assets	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*
Net book value:						
As at 31 Dec 2004						
(Audited and restated)	111,784	262,928	9,827	6,157	140,667	531,363
Additions/ Transfer	35,183	119,271	13,814	911	(14,470)	154,709
Depreciation/ Amortization	(3,017)	(19,557)	(2,332)	(908)	–	(25,814)
As at 30 Jun 2005						
(Unaudited)	**143,950**	**362,642**	**21,309**	**6,160**	**126,197**	**660,258**

As explained in note 1(a), the Group has applied revised HKAS 17 to the reclassification of leasehold land and land use rights from fixed assets to operating leases. As a result, the leasehold land amounting to approximately HK$20.04 million as at 30 June 2005 are reclassified to prepaid lease premiums under operating leases, which are carried at cost and amortized over the lease term on a straight-line basis.

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

	30 June 2005 ***HK$'000*** **(Unaudited)**	31 December 2004 *HK$'000* (Audited)
Medium term leases		
– in Hong Kong	**2,238**	2,308
– outside Hong Kong	**161,750**	129,738
	163,988	132,046

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 were as follows:

	30 June 2005 *HK$'000* **(Unaudited)**	31 December 2004 *HK$'000* (Audited)
Plant and machinery	**187,071**	146,391
Motor vehicles	**1,317**	2,165
	188,388	148,556

10. ACCOUNTS AND BILLS RECEIVABLE

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

	30 June 2005 *HK$'000* **(Unaudited)**	31 December 2004 *HK$'000* (Audited)
Within 30 days	**264,054**	74,741
31 to 60 days	**116,207**	45,969
61 to 90 days	**54,655**	26,617
Over 90 days	**47,102**	46,107
	482,018	193,434

11. ACCOUNTS AND BILLS PAYABLE

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

	30 June 2005 *HK$'000* **(Unaudited)**	31 December 2004 *HK$'000* (Audited)
Within 90 days	**283,910**	152,608
91 to 180 days	**24,837**	16,702
181 to 365 days	**851**	2,522
	309,598	171,832

12. INTEREST-BEARING BANK BORROWINGS

	30 June 2005 *HK$'000* (Unaudited)	31 December 2004 *HK$'000* (Audited)
Bank overdrafts, unsecured	**–**	237
Bank loans		
Secured	**–**	44,998
Unsecured	**334,769**	235,044
	334,769	280,042
	334,769	280,279
Bank overdrafts repayable on demand	**–**	237
Bank loans repayable:		
Within one year	**288,304**	226,575
In the second year	**23,528**	14,004
In the third to fifth years, inclusive	**22,937**	39,463
	334,769	280,042
	334,769	280,279
Portion classified as current liabilities	**(288,304)**	(226,812)
Long term portion	**46,465**	53,467

13. BANKING FACILITIES

As at 30 June 2005, the Group's banking facilities were supported by corporate guarantees executed by the Company and certain subsidiaries of the Company.

14. 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 2005 and 31 December 2004, 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 2005	31 December 2004	**30 June 2005**	31 December 2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
Amounts payable:				
Within one year	**45,659**	37,396	**42,776**	36,552
In the second year	**30,904**	30,244	**29,535**	28,664
In the third to fifth years, inclusive	**21,920**	14,419	**21,247**	13,343
Total minimum finance lease payments	**98,483**	82,059	**93,558**	78,559
Future finance charges	**(4,925)**	(3,500)		
Total net finance lease payables	**93,558**	78,559		
Portion classified as current liabilities	**(42,776)**	(36,552)		
Long term portion	**50,782**	42,007		

As at 30 June 2005, the finance lease payables were supported by corporate guarantees executed by the Company and/ or certain subsidiaries of the Company.

15. CONTINGENT LIABILITIES

At the end of 30 June 2005 and 31 December 2004, contingent liabilities not provided for were as follows:

	30 June 2005 *HK$'000* **(Unaudited)**	31 December 2004 *HK$'000* (Audited)
Bills discounted with recourse	**–**	106,374

As explained in note 1 (b), the Group has applied new HKAS 39 prospectively for bills discounted with recourse in the current period. As a result, the Group's discounted bills with recourse of approximately HK$175 million have been re-recognized as bills receivable of the Group and the corresponding proceeds have been reflected as bank advances in the balance sheet as at 30 June 2005. The discounted bills with recourse as at 31 December 2004 were not recognized in the balance sheet but treated as contingent liabilities at that date.

16. OPERATING LEASE ARRANGEMENTS

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

As at 30 June 2005 and 31 December 2004, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2005 *HK$'000* **(Unaudited)**	31 December 2004 *HK$'000* (Audited)
Within one year	**785**	558
In the second to fifth years, inclusive	**1,757**	233
Over five years	**7,105**	–
	9,647	791

17. COMMITMENTS

In addition to the operating lease commitments detailed in note 16 above, the Group had the following commitments as at the balance sheet date:

	30 June 2005 *HK$'000* **(Unaudited)**	31 December 2004 *HK$'000* (Audited)
Capital commitments, contracted but not provided for:		
Purchases of machinery	**15,205**	12,488
Construction in progress	**28,848**	23,205
	44,053	35,693
Authorised, but not contracted for:		
Purchase of machinery	**35,000**	61,000
	79,053	96,693

At 30 June 2005, 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 of US$39,294,725 (approximately HK$306,499,000) due on 29 November 2007.

18. RELATED PARTY TRANSACTIONS

The Group had the following material transactions with related parties during the period:

	Notes	**30 June 2005** *HK$'000* **(Unaudited)**	30 June 2004 *HK$'000* (Unaduited)
Rental expense on Directors' quarters paid to Goldwille Investments Limited ("Goldwille")	*(1)*	**–**	213
Rental expense on offices paid to Mr. Tai Chin Chun and Mr. Tai Chin Wen	*(2)*	**120**	60

Notes:

(1) 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. The tenancy agreement was early terminated on 31 December 2004.

(2) The Group entered into a yearly renewable tenancy agreement with Mr. Tai Chin Chun and Mr. Tai Chin Wen, Directors, at a monthly rental charge of HK$20,000 based on the prevailing market rentals.

19. COMPARATIVE FIGURES

Certain comparative figures have been reclassified as a result of the adoption of new HKFRSs as set out in note 1 above to conform with the current period's presentation of the financial statements.