



A BRIGHT
FUTURE

 正興集團
CHING HING GROUP

CHING HING (Holdings) Limited

Stock Code : 692

2006

INTERIM REPORT

Independent Review Report To the Board of Directors of Ching Hing (Holdings) Limited

(incorporated in Bermuda with limited liability)

We have been instructed by the board of directors of the Company to review the interim financial report as set out on pages 2 to 14.

Respective Responsibilities of Directors and Auditors

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Hong Kong Accounting Standard 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Review Work Performed

We conducted our review in accordance with Statement of Auditing Standards 700 “Engagements to review interim financial reports” issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review Conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2006.

HORWATH HONG KONG CPA LIMITED
Certified Public Accountants

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18 Harbour Road
Wanchai
Hong Kong

Shiu Hong Ng
Practising Certificate number P03752

Hong Kong, 25 September 2006

The board of directors of Ching Hing (Holdings) Limited (the "Company") is pleased to announce the unaudited condensed consolidated results for the six months ended 30 June 2006 of the Company and its subsidiaries (collectively the "Group"), together with unaudited comparative figures for the corresponding period in 2005. These interim financial statements have not been audited, but have been reviewed by the auditors, Horwath Hong Kong CPA Limited, and the audit committee of the Company (the "Audit Committee").

Condensed Consolidated Income Statement

For the six months ended 30 June 2006

	Note	Unaudited	
		Six months ended 30 June	
		2006	2005
		HK\$'000	HK\$'000
Turnover	2	123,639	131,014
Cost of sales		(104,068)	(126,158)
Gross profit		19,571	4,856
Other revenues		455	442
Distribution costs		(6,183)	(5,255)
Administrative expenses		(9,382)	(9,219)
Other operating expenses		(1,224)	(1,828)
Operating profit/(loss)	3	3,237	(11,004)
Finance costs		(1,982)	(1,831)
Profit/(loss) before taxation		1,255	(12,835)
Taxation	4	(250)	—
Profit/(loss) for the period		1,005	(12,835)
Attributable to:			
Equity holders of the Company		1,005	(12,835)
Minority interests		(785)	—
Profit/(loss) for the period		220	(12,835)
Earnings/(loss) per share — basic	5	0.07 cents	(4.01) cents

Condensed Consolidated Balance Sheet

As at 30 June 2006

	Note	Unaudited As at 30 June 2006 HK\$'000	Audited As at 31 December 2005 HK\$'000
Fixed assets	6	60,031	64,896
Prepaid lease payments		4,856	4,914
Available-for-sale investment		590	590
		<u>65,477</u>	<u>70,400</u>
Current assets			
Inventories		17,508	15,455
Trade receivables	7	29,731	36,220
Prepayments, deposits and other receivables		1,308	4,878
VAT recoverable and other tax recoverable		50	50
Prepaid lease payments		117	117
Deposits with banks		25,114	17,371
Bank balances and cash		9,555	11,898
		<u>83,383</u>	<u>85,989</u>
Current liabilities			
Trade payables	8	26,572	29,470
Other payables and accrued charges		6,343	5,805
Amounts due to directors		6,013	4,013
Trust receipt loans, secured	9	8,061	7,127
Current portion of long-term liabilities	9	17,517	17,544
Short-term bank loans, secured	9	4,204	8,849
Obligations under finance leases	10	314	200
Taxation payable		2,532	7,723
Bank overdrafts, secured	9	6,614	6,327
		<u>78,170</u>	<u>87,058</u>
Net current assets/(liabilities)		<u>5,213</u>	<u>(1,069)</u>
Total assets less current liabilities		<u>70,690</u>	<u>69,331</u>
Non-current liabilities			
Obligations under finance leases	10	354	—
Net assets		<u>70,336</u>	<u>69,331</u>
Equity			
Share capital	11	16,017	16,017
Reserves		53,526	53,306
Equity attributable to shareholders		69,543	69,323
Minority interests		793	8
Total equity		<u>70,336</u>	<u>69,331</u>

Condensed Statement of Changes in Equity

	Share capital	Share premium	Properties revaluation reserves	Statutory reserves	Capital reserves	Exchange reserves	Accumu- lated losses	Attributable to equity holders of the Company	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December 2004	16,017	51,574	17,370	7,611	52,694	—	(53,069)	92,197	11	92,208
Loss for the period	—	—	—	—	—	—	(12,835)	(12,835)	—	(12,835)
At 30 June 2005 (Unaudited)	16,017	51,574	17,370	7,611	52,694	—	(65,904)	79,362	11	79,373
At 31 December 2005	16,017	51,574	18,006	7,611	52,694	8,322	(84,901)	69,323	8	69,331
Profit for the period	—	—	—	—	—	—	220	220	785	1,005
At 30 June 2006 (Unaudited)	16,017	51,574	18,006	7,611	52,694	8,322	(84,681)	69,543	793	70,336

Condensed Consolidated Cash Flow Statement

	Six months ended 30 June	
	2006 (Unaudited)	2005 (Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from/(used in) operating activities	6,760	(5,812)
Net cash generated from investing activities	981	6,570
Net cash (used in)/generated from financing activities	(2,743)	2,008
Net increase in cash and cash equivalents	4,998	2,766
Cash and cash equivalents at the beginning of the period	(1,556)	(8,248)
Cash and cash equivalents at the end of the period	3,442	(5,482)
Analysis of balances of cash and cash equivalents		
Bank balances and cash, excluding bank balances pledged for long-term liabilities	9,555	8,437
Deposits with banks	8,562	—
Bank overdrafts, secured	(6,614)	(6,187)
Trust receipt loans repayable within three months	(8,061)	(7,732)
	3,442	(5,482)

Notes to Condensed Consolidated Interim Financial Statements

1. Basis of preparation of financial statements

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) No 34 “Interim Financial Reporting” and other relevant HKASs and Interpretations and the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The accounting policies and methods of preparation of the unaudited condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2005. The condensed interim financial statements should be read in conjunction with the Company’s 2005 annual report.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and Interpretations (“new HKFRSs”) issued by HKICPA, which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standard, amendment or Interpretations that have been issued but not yet effective. The directors of the Company anticipate that the application of these standard, amendment or Interpretations will have no material impact on the financial position and the results of the Group.

HKAS 1 (Amendment)	Capital disclosures ¹
HKFRS 7	Financial instruments; Disclosures ¹
HK(IFRIC) — INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ²
HK(IFRIC) — INT 8	Scope of HKFRS 2 ³
HK(IFRIC) — INT 9	Reassessment of embedded derivatives ⁴

¹ Effective for annual periods beginning on or after 1 January 2007

² Effective for annual periods beginning on or after 1 March 2006

³ Effective for annual periods beginning on or after 1 May 2006

⁴ Effective for annual periods beginning on or after 1 June 2006

2. Turnover, revenue and segment information

The Group is principally engaged in the provision of fabric processing, sale of fabrics and garment manufacturing and trading.

Primary report format — business segments

The Group is organised into three main business segments:

—	Fabric processing	—	provision of fabric processing services
—	Sale of fabrics	—	manufacture, wholesale and distribution of fabrics
—	Sale of garments and accessories	—	manufacture, wholesale and distribution of garments and accessories

Secondary report format — geographical segments

The Group's three business segments are operated in four main geographical areas:

—	Hong Kong	—	fabric processing and sale of fabrics
—	United States	—	sale of garments and accessories
—	The People's Republic of China (the "PRC")	—	fabric processing and sale of fabrics
—	Other countries (principally Bangladesh, Macau and Indonesia)	—	sale of garments and accessories

Primary report format — business segments

	Six months ended 30 June 2006			Consolidated (Unaudited) HK\$'000
	Fabric processing (Unaudited) HK\$'000	Sale of fabrics (Unaudited) HK\$'000	Sale of garments and accessories (Unaudited) HK\$'000	
Segment revenue	20,365	37,829	65,445	123,639
Segment results	(1,401)	(557)	6,840	4,882
Unallocated expenses				(1,645)
Operating profit				3,237
Finance costs				(1,982)
Profit before taxation				1,255
Taxation				(250)
Profit for the period				1,005

2. Turnover, revenue and segment information (Continued)

Primary report format — business segments (Continued)

	Six months ended 30 June 2005				Consolidated (Unaudited) HK\$'000
	Fabric processing (Unaudited)	Sale of fabrics (Unaudited)	garments and accessories (Unaudited)	Sale of	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment revenue	31,063	28,168	71,783		131,014
Segment results	(12,959)	(2,904)	6,588		(9,275)
Unallocated expenses					(1,729)
Operating loss					(11,004)
Finance costs					(1,831)
Loss before taxation					(12,835)
Taxation					—
Loss for the period					(12,835)

Secondary report format — geographical segments

	Six months ended 30 June 2006				Consolidated (Unaudited) HK\$'000
	Hong Kong (Unaudited)	United States (Unaudited)	The PRC (Unaudited)	Other countries (Unaudited)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment revenue	42,979	63,510	12,626	4,524	123,639
Segment results	1,050	6,504	(3,037)	365	4,882
Unallocated expenses					(1,645)
Operating profit					3,237
Finance costs					(1,982)
Profit before taxation					1,255
Taxation					(250)
Profit for the period					1,005

2. Turnover, revenue and segment information (Continued)

Secondary report format — geographical segments (Continued)

	Six months ended 30 June 2005				Consolidated (Unaudited) HK\$'000
	Hong Kong	United	The PRC	Other	
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	
Segment revenue	43,102	70,153	9,015	8,744	131,014
Segment results	(10,776)	6,415	(4,732)	(182)	(9,275)
Unallocated expenses					(1,729)
Operating loss					(11,004)
Finance costs					(1,831)
Loss before taxation					(12,835)
Taxation					—
Loss for the period					(12,835)

3. Operating profit/(loss)

	Unaudited Six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
Operating profit/(loss) is stated after crediting and charging the following:		
Crediting		
Interest income	347	76
Charging		
Depreciation on property, plant and equipment	5,760	5,635
Operating lease rentals in respect of land and buildings	493	547

4. Taxation

No provision has been made for Hong Kong profits tax as the tax losses brought forward from previous years exceed the estimated assessable profits for the period.

Taxation on overseas profits is calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

5. Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the Group's profit attributable to equity holders of the Company for the period of HK\$220,000 (2005: loss of HK\$12,835,000) and on the weighted average number of 320,349,468 (2005: 320,349,468) ordinary shares in issue during the period.

Diluted earnings/(loss) per share is not presented as there are no (2005: Nil) diluted potential shares for both periods.

6. Fixed Assets

	As at 30 June 2006 (Unaudited) <i>HK\$'000</i>	As at 31 December 2005 (Audited) <i>HK\$'000</i>
Net book value at beginning of period/year	64,896	73,606
Additions	895	1,354
Disposals	(552)	(2,106)
Revaluation	—	678
Depreciation	(5,760)	(11,578)
Depreciation written back on disposal	552	2,095
Exchange adjustments	—	847
Net book value at end of period/year	60,031	64,896

7. Trade Receivables

Details of the aging analysis of trade receivables were as follows:

	As at 30 June 2006 (Unaudited) HK\$'000	As at 31 December 2005 (Audited) HK\$'000
Current	15,854	20,903
31 — 60 days	7,225	9,241
61 — 90 days	2,684	2,354
91 — 120 days	1,580	1,503
Over 120 days	7,565	6,910
	34,908	40,911
<i>Less: Provision on doubtful debts</i>	(5,177)	(4,691)
	29,731	36,220

Sale of fabrics and processing of fabrics are with credit terms of 45 days whereas the sales from trading of garments and accessories are with credit terms of 120 days. The Group has a defined credit policy and it varies with the financial strength of individual customers. Sales from trading of garments and accessories are mostly covered by letter of credits.

8. Trade Payables

Details of the aging analysis of trade payables were as follows:

	As at 30 June 2006 (Unaudited) HK\$'000	As at 31 December 2005 (Audited) HK\$'000
Current	11,930	9,254
31 — 60 days	7,594	7,722
61 — 90 days	4,091	4,892
Over 90 days	2,957	7,602
	26,572	29,470

9. Long-term Liabilities

	As at 30 June 2006 (Unaudited) HK\$'000	As at 31 December 2005 (Audited) HK\$'000
Bank loans wholly repayable within five years, secured	17,517	17,544
Current portion repayable within one year	(17,517)	(17,544)
	—	—

At 30 June 2006, the Group's bank loans, bank overdrafts including trust receipt loans were repayable as follows:

	As at 30 June 2006 (Unaudited) HK\$'000	As at 31 December 2005 (Audited) HK\$'000
Within one year	36,396	39,847

10. Obligations Under Finance Leases

	Minimum lease payments		Present value of minimum lease payments	
	As at 30 June 2006 (Unaudited) HK\$'000	As at 31 December 2005 (Audited) HK\$'000	As at 30 June 2006 (Unaudited) HK\$'000	As at 31 December 2005 (Audited) HK\$'000
Amounts payable under finance leases:				
Within one year	349	230	314	200
In the second to fifth years inclusive	388	—	354	—
	737	230	668	200
Less: Future finance charges	69	30		
Present value of lease obligations	668	200		

It is the Group's policy to lease certain of its motor vehicles under finance leases. The leases term are 1.5 years and 3 years. The leases are on a fixed repayment basis and no arrangement has been entered into for contingent rental payments.

11. Share Capital

	Authorised Ordinary shares of HK\$0.05 each	
	<i>Number of shares</i>	<i>HK\$'000</i>
At 30 June 2006 and 31 December 2005	1,000,000,000	50,000
	Issued and fully paid Ordinary shares of HK\$0.05 each	
	<i>Number of shares</i>	<i>HK\$'000</i>
At 30 June 2006 and 31 December 2005	320,349,468	16,017

12. Banking Facilities

At 30 June 2006, the Group's credit facilities amounting to HK\$95,517,000 (31 December 2005: HK\$104,609,000) granted by banks and a credit company were secured by the following:—

- (a) legal charges over the Group's properties and prepaid lease payments on land use rights;
- (b) guarantees given by the Company and the minority shareholders of subsidiaries for HK\$102,000,000 (31 December 2005: HK\$102,000,000) and HK\$44,200,000 (31 December 2005: HK\$44,200,000) respectively;
- (c) charges over bank deposits of the Group of HK\$16,552,000 (31 December 2005: HK\$17,371,000); and
- (d) personal guarantees of HK\$6,280,000 and (31 December 2005: HK\$10,601,000) given by one director and one ex-director of the Company.

13. Commitments**(a) Capital commitments**

At 30 June 2006, the Group had the following capital commitments:

	As at 30 June 2006 (Unaudited) HK\$'000	As at 31 December 2005 (Audited) HK\$'000
Construction in progress	—	217

13. Commitments (Continued)**(b) Operating lease commitments**

At 30 June 2006, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	As at 30 June 2006 (Unaudited) HK\$'000	As at 31 December 2005 (Audited) HK\$'000
Within one year	423	847
In the second to fifth years inclusive	24	99
	447	946

14. Related party transactions

During the period, the Group entered into the following material transactions with its related parties in the normal course of business:

	Six months ended 30 June (Unaudited)	
	2006 HK\$'000	2005 HK\$'000
Rental paid to a related company (note (i))	420	420
Interest paid to directors	148	129
Sales to a related company (note (ii))	6	414
Management fee from a related company (note (ii))	—	60

Notes:

- (i) Mr. Yiu Ching On, an executive director of the Company, beneficially owns the related company.
- (ii) Mr. Yiu Kwok Yung, an ex-director of the Company, owns 70% shareholding of the related company.

15. Dividends

The directors of the Company do not recommend the payment of any interim dividend for the six months ended 30 June 2006 (Six months ended June 2005: Nil).

16. Approval of the Interim Financial Statements

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 25 September 2006.

Results

The Group has recognised an unaudited net profit of HK\$0.22 million for the six months ended 30 June 2006, representing an improvement of HK\$13.06 million as compared with a net loss of HK\$12.84 million in the same period last year. The Group's turnover has reduced by 5.63% over the same period last year to HK\$123.64 million. Turnover generated from provision of fabric processing services dropped by 34.44% to HK\$20.37 million. Revenue derived from trading of fabrics increased by 34.30% to HK\$37.83 million. On the other hand, turnover generated from sale of garments and accessories decreased by 8.83% to HK\$65.45 million. The overall gross profit margin increased dramatically to about 15.83% as compared with 3.71% of last period. The Group has recorded a basic earnings per share of 0.07 cents as compared with a basic loss per share of 4.01 cents in the same period last year.

Interim Dividend

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2006 (2005: Nil).

Business Review and Prospects

Fabric Processing

Turnover generated from provision of fabric processing services decreased by 34.44% to HK\$20.37 million. As the fabric processing sector continued to face competition from the state-owned enterprises and tight environmental protection requirement in Pearl River Region of the PRC, the Group strategically focused on trading of dyed fabrics and reduced its reliance on purely fabrics processing services provided by the dyeing factory in Zhongshan. The Group preferred accepting processing orders with higher profit margins and from customers with good payment records. Although it led to a drop in turnover, its segment loss also reduced by 89.19% to HK\$1.40 million during the period owing to a large decrease of unsubstantiated quality claims from customers and the relatively higher profit margins derived from the latest customer orders.

Business Review and Prospects *(Continued)*

Sale of Fabrics

Turnover generated from sale of self-processed and subcontracting processed fabrics increased by 34.30% to HK\$37.83 million after the change of our business strategy and focus in the year. Compared with fabric processing, sales of fabrics have a higher profit margin and fewer claims on fabrics quality. The Group decided to further improve its performance by expanding the sales team both in Hong Kong and the PRC to increase market share in fabrics trading business. Quantities of fabrics sold in the PRC also increased by 310.52% compared with the same period last year. As the GDP in the PRC in first quarter of 2006 grew by more than 10%, the Group will allocate more resources in that rapid expanding economy by engaging more sales persons with high caliber to tap this market. On the other hand, increase in cost of production, e.g. fuel prices and minimum wages, in the PRC continued to be an unfavourable factor in operating a factory in the PRC. The Group have already closely monitored the factory's production processes to improve its efficiency and quality. Although it still could not reach a turn-around result during the period under review, the segment loss had dramatically reduced by 80.82% compared with the same period last year.

Sale of Garments and Accessories

Turnover generated from sale of garments and accessories accounted for about 52.93% of the Group's total turnover. Although turnover showed a decline by 8.83% to HK\$65.45 millions, it continued to achieve a satisfactory result and showed a slight increase in segment profit by 3.83% to HK\$6.84 million. The resumption of quota systems on China produced textile goods exported to the United States continued to provide a favourable environment for us with strong back-up of production bases in Southeast Asia like Bangladesh.

Liquidity and Financial Resources

After setting up a credit limit policy to monitor the operating cash flow and credit risks, the Group generated a net cash inflow from operating activities of about HK\$6.76 million (2005: net cash outflow of about HK\$5.81 million).

At 30 June 2006, the Group had total assets of HK\$148.86 million which were financed by total liabilities of HK\$78.52 million and equity of HK\$70.34 million. Focusing on maintaining a safer gearing ratio, the Group's ratio of debts to total assets and debts to equity were reduced to 52.75% (2005: 55.67%) and 111.64% (2005: 125.57%), respectively.

The Group financed its operation by internal cash resources and bank financing. During the period, no new equity shares had been issued for fund raising.

Liquidity and Financial Resources *(Continued)*

At 30 June 2006, the Group had cash on hand, bank deposits and bank balances for an aggregate amount of about HK\$34.67 million (of which about HK\$16.55 million was pledged with banks for banking facilities for the Group) and unutilised banking facilities for a total of about HK\$59.12 million, which we consider sufficient for normal daily operation and expansion.

Employee

As 30 June 2006, the Group employed about 400 employees. Employees are remunerated based on market and industry practice. The remuneration policy and package of the Group's employees are regularly reviewed by the Board. Apart from provident fund scheme and medical insurance, discretionary bonuses and employee share options are also awarded to employees according to the assessment of individual performance.

Directors' Interests in Securities

At 30 June 2006, the directors or their associates have the following interests or short positions in shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under 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 Companies contained in the Listing Rules ("Model Code"):

Shares — long position

The Company:

Name of directors	Number of shares held				Total
	Personal interests	Family interests	Corporate interests	Other interests	
Mr. Yiu Ching On	752,000	—	—	117,618,055 <i>(note d)</i>	118,370,055
Ms. Wong Kai Chun	—	118,370,055 <i>(note a)</i>	—	—	118,370,055
Mr. Yiu Kwok Ming, Tommy	1,100,000	—	49,857,142 <i>(note c)</i>	117,618,055 <i>(note b)</i>	168,575,197
Mr. Lo Wai Kon	218,000	—	—	—	218,000

Directors' Interests in Securities *(Continued)*

Notes:

- (a) Such shares are beneficially owned by her spouse.
- (b) Happy Joy Limited, a company wholly-owned by Mr. Yiu Kwok Ming, Tommy, and Determine Win Investments Limited in its capacity as trustee of The Yiu's Family Unit Trust owns approximately 5.02% and 94.98% of the issued share capital of Jarak Assets Limited, respectively which in turn holds 117,618,055 shares. HSBC International Trustee Limited holds 99.99% units in issue in The Yiu's Family Unit Trust in its capacity as the trustee of The Yiu's Family Trust, the beneficiaries of which include Mr. Yiu Kwok Ming, Tommy.
- (c) Such shares are beneficially owned by Cotton Row Limited and Happy Joy Limited, companies wholly-owned by Mr. Yiu Kwok Ming, Tommy, a director of the Company.
- (d) Mr. Yiu Ching On was founder of The Yiu's Family Trust, a discretionary trust.

Associated corporation:

Name of associated corporation	Name of director	Personal interests	Family interests	Corporate interests
Ching Hing Weaving Dyeing & Printing Factory Limited	Mr. Yiu Ching On	14,196,591	376,427 <i>(note b)</i>	28,023,134 <i>(note c)</i>
	Mr. Yiu Kwok Ming, Tommy	—	1,000,000 <i>(note b)</i>	—

Notes:

- (a) The above represent interests in non-voting deferred shares.
- (b) Such non-voting deferred shares are beneficially owned by the spouse of the respective directors.
- (c) Filand Limited and Clear Picture Holdings Limited, companies wholly-owned by Mr. Yiu Ching On, a director of the Company, beneficially owned 10,633,875 and 17,389,259 non-voting deferred shares respectively.

Save as disclosed above, at no time during the period had the directors (including their spouse and children under 18 years of age) have any interest in, or been granted, or exercised, any rights to subscribe for shares or debentures of the Company and its associated corporations.

At no time during the period was the Company or its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholders

At 30 June 2006, the following companies have long positions in the shares and underlying shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Number of shares held	Percentage of issued share capital at 30 June 2006
Jarak Assets Limited (<i>note a</i>)	117,618,055	36.7%
Determine Win Investments Limited (<i>note a</i>)	117,618,055	36.7%
HSBC International Trustee Limited (<i>note b</i>)	117,618,055	36.7%
HSBC Investment Bank Holdings B.V. (<i>note b</i>)	117,618,055	36.7%
HSBC Holdings B.V. (<i>note b</i>)	117,618,055	36.7%
HSBC Finance (Netherlands) (<i>note b</i>)	117,618,055	36.7%
HSBC Holdings plc (<i>note b</i>)	117,618,055	36.7%
Modern Fashion Inc. (<i>note e</i>)	32,500,000	10.1%
Happy Joy Limited (<i>note c</i>)	30,000,000	9.4%
Cotton Row Limited (<i>note d</i>)	19,857,142	6.2%

Notes:

- (a) Jarak Assets Limited is owned as to approximately 94.98% by Determine Win Investments Limited in its capacity as the trustee of The Yiu's Family Unit Trust.
- (b) HSBC International Trustee Limited holds 99.99% units in issue in The Yiu's Family Unit Trust in its capacity as the trustee of The Yiu's Family Trust.
- HSBC International Trustee Limited is a wholly-owned subsidiary within the HSBC Group. Their interests in the shares of the Company duplicate with each other.
- (c) Happy Joy Limited is wholly-owned by Mr. Yiu Kwok Ming, Tommy, a director of the Company.
- (d) Cotton Row Limited is wholly-owned by Mr. Yiu Kwok Ming, Tommy, a director of the Company.
- (e) Modern Fashion Inc is wholly-owned by Mr. Yiu Kwok Yung who is a son of Mr. Yiu Ching On and the brother of Mr. Yiu Kwok Ming, Tommy.

Compliance With the Code on Corporate Governance Practices

None of the Directors of the Company is aware of information that would reasonably indicate that the Company is not, or was not throughout the accounting period covered by this interim report, in compliance with the Code Provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors, the Company confirmed that all directors have complied with the required standard set out in Model Code.

Purchase, Sale or Redemption of Listed Securities

The Company had not redeemed any of its listed securities during the six months ended 30 June 2006. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed securities during the period.

Audit committee

The Audit Committee comprises three independent non-executive directors, namely Messrs. Cheung Wing Yui, Wong Shiu Hoi, Peter and Lo Wai Kon. One meeting was held during the period under review.

The Audit Committee had reviewed the accounting policies and practices adopted by the Group. It had also reviewed the condensed interim financial statements for the six months ended 30 June 2006.

Remuneration Committee

The Remuneration Committee comprises two independent non-executive directors, Mr. Wong Shiu Hoi, Peter and Mr. Cheung Wing Yui and one executive director, Mr. Yiu Kwok Ming, Tommy. Mr. Wong Shiu Hoi, Peter is the Chairman of the Committee. The Committee has adopted terms of reference which are in line with the Code on Corporate Governance Practices.

Members of the Board

Executive Directors

Mr. Yiu Ching On (*Chairman*)
Mr. Yiu Kwok Ming, Tommy (*Managing Director*)
Ms. Wong Kai Chun

Independent Non-executive Directors

Mr. Cheung Wing Yui
Mr. Wong Shiu Hoi, Peter
Mr. Lo Wai Kon