

Chairman's Statement

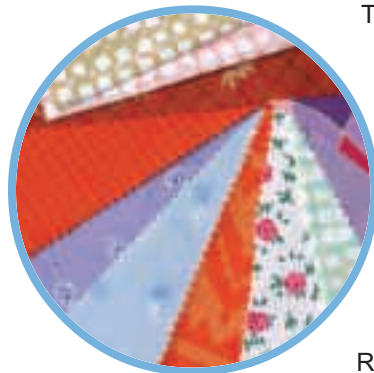
On behalf of the board of directors (the "Board") of Kam Hing International Holdings Limited (the "Company"), I am pleased to announce the annual audited results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2004. The successful listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 23 September 2004 is considered to be a major milestone of the Group since its establishment in November 1996. The management will continue to seek and capture growth opportunities in the future as a reward to shareholders.

DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK1.6 cents per share in respect of the year ended 31 December 2004 to shareholders whose names appear on the register of members of the Company on 23 May 2005, subject to the approval of the Company's shareholders at the annual general meeting of the Company. The final dividend is based on 25% of the net profit of the second half year of 2004.

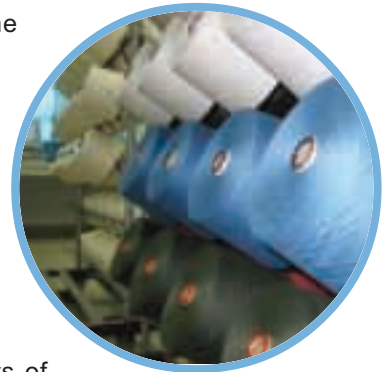
BUSINESS REVIEW

I am happy to see the continuous expansion of the Group since its establishment in 1996. All of the staff are devoted and committed to the further development of the Group, especially in light of the rapid growth of the Group's business in the previous years.



The Group's turnover for the year ended 31 December 2004 was HK\$1,315.7 million, representing an increase of 19.4% over the previous year. The gross profit margin dropped slightly from 25.3% in 2003 to 23.9% in 2004 mainly due to the substantial increase in raw material costs in early 2004. With the decrease in raw material costs since mid-2004, the gross and net margins recovered in the second half of the year under review. As a whole, the net profit margin for the year decreased slightly from 8.7% to 8.0%.

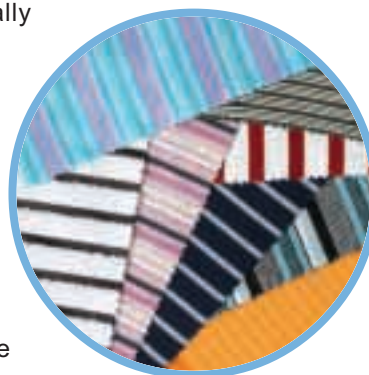
Regarding the market development, the Group has successfully solicited a number of potential customers including some major garment manufacturers and famous international brand operators to provide extra order sources. In addition, the Group successfully developed the Mainland China market after listing and recorded remarkable sales amounting to HK\$18.1 million in the last quarter of 2004. I am confident that the China market of the Group will grow significantly in 2005.



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The new yarn dye production line, with an investment of approximately HK\$126.2 million, has a monthly capacity of around 2.5 million pounds, and commenced operations in September 2004. The new operation has already broken even financially in November 2004. The improvement in production capability has been particularly noticeable in recent months. I therefore believe that the new production line will contribute greatly to an increase in turnover and an improvement in profit margin in 2005.

Guangzhou Zhongshan University, the People's Republic of China (the "PRC") was appointed as a consultant in 2004 to advise on the human resource management and to increase the production capabilities at the Group's factory in Panyu, the PRC. The achievements after the completion of the first phase were apparent.



OUTLOOK

The Group has sped up its business development after its listing on the Stock Exchange, including the construction of a central knitting complex (which was completed in January 2005) and the relocation of knitting machines to the knitting complex (which is currently underway). In mid-2005, the Group's annual dyeing and knitting capacity will be expected to increase by approximately 10% and 20% from the capacity of approximately 101.5 million pounds and 74.4 million pounds as at 31 December 2004, respectively. In addition, the second phase of the power plant is expected to be in place in the second quarter of 2005, which will further reduce energy costs. All of the above will enhance the Group's ability of handling rush orders and its capabilities in expanding the order source.

The import quota on textile products between members of the World Trade Organisation was abolished on 1 January 2005. As a result, buyers have been continuously consolidating their supplier lists and increasing their proportion of garment sourcing from the Asian region. In addition, garment manufacturers are now tending to rely greatly on more sizable and reputable suppliers. As one of the key knitted fabrics suppliers in the market, I am confident that these trends will be advantageous to the future development of the Group.

In accordance with the terms of the World Trade Organisation, exports from the PRC may still be restricted under the "anti-surge" or "anti-dumping" policies. At the same time, the PRC government has imposed an additional tax on the export of textile products to further affect the competitiveness of production in the PRC. Despite the uncertainties encountered in the first few months after the abolition of the quota system on textile products, the Group has been making continuous efforts to seek opportunities for further development with a view to capturing long-term benefits from the change.

During the course of the Group's development history, it has always been our goal to improve margins in light of the growing volume. The implementation of the yarn dye operation is an important step towards vertical integration. On the condition that the Group maintains its healthy financial status, we will continue to seek opportunities for upstream operation expansion in the future.

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The Group's past successes have relied on strong research and development (the "R&D") efforts in developing products that meet customer expectations. The new yarn dye production line has further strengthened the Group's R&D capabilities. In the first quarter of 2005, a number of different new fabrics have been developed, which have added value by expanding order sources in the market.

The Group will enhance its operating efficiency in order to increase competitiveness and strengthen the Group's position in the market.

APPRECIATION

I would like to express my heartfelt thanks, on behalf of the Board, for the hard work of our management and all staff, which has led to the Group's major achievements both during the year under review and in previous years.

Tai Chin Chun

Chairman

Hong Kong

21 April 2005