



# Kwong Hing International Holdings (Bermuda) Limited

*(Incorporated in Bermuda with limited liability)*

## Interim Results Announcement For The Period Ended 30th September, 2002

### RESULTS

The Board of directors (the “Board”) of Kwong Hing International Holdings (Bermuda) Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries and associate (the “Group”) for the six months ended 30th September, 2002 with comparative figures for the corresponding periods as follows. The results have been reviewed by the Company’s audit committee.

### Consolidated Income Statement (Unaudited)

		For the six months ended 30th September,	
		2002	2001
	Notes	HK\$'000	HK\$'000
Turnover	2	200,555	193,545
Cost of sales		(172,175)	(178,329)
Gross profit		28,380	15,216
Other revenue		1,535	863
Selling expenses		(4,992)	(4,163)
Administrative expenses		(10,925)	(10,438)
Allowance for bad and double debts		–	(2,831)
Unrealised (loss) gain on trading securities		(1,096)	19
Profit (loss) from operations		12,902	(1,334)
Finance costs		–	(33)
Profit (loss) before taxation		12,902	(1,367)
Taxation	3	482	(650)

# Kwong Hing International Holdings (Bermuda) Limited

Net profit (loss) for the period		<u>12,420</u>	<u>(717)</u>
Dividend	4	<u>4,640</u>	<u>-</u>
Earning (loss) per share	5	<u>0.32 cents</u>	<u>(0.04) cents</u>

## Notes to the Unaudited Interim Financial Statements

For the six months ended 30th September, 2002

### 1. Accounting policies

The unaudited interim financial statements have been prepared in compliance with Statement of Standard Accounting Practice (“SSAP”) 25 (revised) “Interim Financial Reporting”, and on a basis consistent with the accounting policies adopted by the Group in the preparation of its financial statements for the year ended 31st March, 2002, except for the adoption of the SSAP 1 (revised) “Presentation of financial statement” and the SSAP 15 (revised) “Cash flow statements”. The adoption of the above standards had no material effect on the amounts reported in the prior period, except that certain presentational change have been made.

### 2. Turnover

Sales of knitted fabric and dyed yarns account for more than 90% of the Group’s turnover for the period, substantially all of which are made to the customers based in Hong Kong. The turnover comprises:

	<b>For the six months ended</b>	
	<b>30th September, 2002</b>	30th September, 2001
	<b>HK\$’000</b>	<b>HK\$’000</b>
Sale of knitted fabric and dyed yarns	<b>200,120</b>	190,138
Subcontracting fee income	<b>435</b>	3,407
	<u><b>200,555</b></u>	<u>193,545</u>

**3. Taxation**

	<b>For the six months ended</b>	
	<b>30th September, 2002 HK\$'000</b>	<b>30th September, 2001 HK\$'000</b>
The charge comprises:		
Hong Kong Profits Tax calculated at 16% of the estimated assessable profit for the period	424	–
Deferred taxation	<u>(287)</u>	<u>(660)</u>
	137	(660)
Overseas Tax calculated at the rates prevailing in the respective jurisdictions	<u>345</u>	<u>10</u>
	<u><u>482</u></u>	<u><u>(650)</u></u>

**4. Dividend**

	<b>For the six months ended</b>	
	<b>30th September, 2002 HK\$'000</b>	<b>30th September, 2001 HK\$'000</b>
Proposed interim Dividend : 0.12 cents (2001: Nil) per share	<u><u>4,640</u></u>	<u><u>–</u></u>

**5. Earning (loss) per share**

The calculation of the basic earning (loss) per share for the six months ended 30th September, 2002 is based on the profit for the period of approximately HK\$12,420,000 (2001: a loss of approximately HK\$717,000) and on the weighted average number of 3,866,400,000 shares (2001: 1,611,000,000 shares) in issue during the period. Diluted earning (loss) per share for the periods were not disclosed as there were no dilutive potential ordinary shares.

**INTERIM DIVIDEND**

The Board has resolved to declare an interim dividend of 0.12 cents per share for the six months ended 30th September, 2002 (2001: nil) payable to shareholders on 21st January, 2003 to the shareholders whose name appear on the register of the members of the Company on 16th January, 2003.

**CLOSURE OF REGISTER OF MEMBERS**

The Register of the Members of the Company will be closed from Monday, 13th January, 2003 to Thursday, 16th January, 2003 (both dates

inclusive) during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Hong Kong Share Registrar, Secretaries Limited at 5/F., Wing On Centre, 111 Connaught Road Central, Hong Kong for registration not later than 4:00 p.m. on Friday, 10th January, 2003.

## **BUSINESS REVIEW**

For the six months ended 30th September, 2002, despite the difficult business environment resulted from extreme competition, the Group recorded a turnover of approximately HK\$200,555,000 and gross profit of approximately HK\$28,380,000 in comparison to approximately HK\$193,545,000 and HK\$15,216,000 respectively of the same period in 2001. The improvement was mainly attributed to the expansion of Group's diversified production capacity which enables the Group to provide excellent services as well as high quality products to its customers. Moreover, the Group has continuously controlled its production costs and overhead expenses which improved its gross margin to 14.2% from 7.9% of the same period in 2001 despite price reduction in the Group's products due to severe competition in the market. As a result, the profit from operations was approximately HK\$12,420,000 which is significantly improved from a loss of approximately HK\$717,000 of the same period in 2001

During the period, management has focused on controlling its operation cost and satisfactory results have been achieved. Under the extreme competitive environment, the Group could still maintain its production cost and overhead expenses at its normal level, proofing the success of the Group's effective cost management and its competitiveness in the industry. Moreover, the Group had also continued its prudent and conservative credit policy and monitored closely its inventory level. The contribution of the above major internal control measures enable the Group to maintain a healthy cash level.

During the year under review, the Group invested approximately HK\$2,693,000 in property, plant and equipment to upgrade its factory and production facilities as to increase its productivity and to enhance its production quality. These investments and previous capital investments have strengthened Group's competence, as well as its market position, and contributed additional revenues to the Group.

As at 30th September, 2002, the net proceeds of the right issue except approximately HK\$18,000,000 have been applied in accordance with the intended uses as announced, the balance was placed into short-term bank deposit, and is committed to use to upgrade and enhance the Group's production facilities.

On 25th November, 2002, the Group has entered into a conditional sale and purchase agreement with an independent third party, pursuant to which 533,000,000 Company's shares will be issued at the price of HK\$0.075 per share to acquire 9.8% interest in the issued share capital of Yakudo Group Holdings Limited ("Yakudo"), a company incorporated in Hong Kong with limited liability if all the conditions have been satisfied. Yakudo's 100%-owned subsidiary in the PRC, Yakudo Foodstuff (China) Co. Ltd., is principally engaged in the production, selling and distribution of lactobacillus drinks. The details of the transaction were set out in the announcement dated 26th November, 2002.

## **PROSPECTS**

The Group will continuously upgrade its factory and production facilities so as to increase its productivity and to enhance its product quality. These investments will also lower our production cost. Moreover, the Group will also continuously pursue its cautionary credit policy for its customers and continuously improve its product quality, cost and inventory control measures.

Despite the business environment in the second half of the year is expected to remain highly competitive and challenging, the Board believes that the Group had successfully recovered from its discouraging performance last year and emerged much stronger than before, Group is ready to take on the challenge in the future as the benefit from the enhanced production facilities and the above control measures will continuously contribute to the Group.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30th September, 2002, the Group's shareholders' equity amounted to HK\$374,678,000, while total bank indebtedness amounted to approximately 9,373,000, and net cash on hand amount to approximately HK\$105,092,000. Current ratio is 5.6. The Board believes that the Group's sound and healthy financial position will enable it to discharge its debts, finance its operation in such difficult and competitive business environment and explore other business development opportunities.

## **PLEDGE OF ASSETS**

At the balance sheet date, certain of the Group's leasehold land and buildings with an aggregate net book value of approximately HK\$2,526,000 (31st March, 2002: HK\$2,558,000) have been pledged to bank as security for general banking facilities granted to the Group

## **STAFF AND REMUNERATION POLICIES**

As at 30th September, 2002, the Group had approximately 840 employees. The Group mainly determines staff remuneration in accordance with market terms and individual qualifications.

The Company maintains a share option scheme, pursuant to which share options are granted to selected eligible executives, with a view to provide senior management with an appropriate incentive interest in the growth of the Group.

## **PUBLICATION OF FURTHER INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED**

A detail results announcement containing all information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited in due course.

By Order of the Board  
**Li Man Ching**  
*Chairman*

Hong Kong, 20th December, 2002

Please also refer to the published version of this announcement in China Daily dated on 23-12-2002.