



# Kwong Hing International Holdings (Bermuda) Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1131)

## INTERIM RESULTS ANNOUNCEMENT FOR THE PERIOD ENDED 30TH SEPTEMBER, 2007

### RESULTS

The Board of Directors (the “Board”) of Kwong Hing International Holdings (Bermuda) Limited (the “Company”) announces the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30th September, 2007 with comparative figures for the corresponding period as follows. The interim results have been reviewed by the Company’s audit committee.

### Condensed Consolidated Income Statement

For the six months ended 30th September, 2007

		<b>Six months ended</b>	
		30.9.2007	30.9.2006
		<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Notes</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<b>Continuing operation</b>			
Revenue	3	187,115	193,138
Cost of sales		(171,860)	(183,940)
		<hr/>	<hr/>
Gross profit		15,255	9,198
Other income		7,494	1,488
Selling expenses		(3,674)	(4,149)
Administrative expenses		(11,616)	(13,741)
Impairment loss on trade and other receivable		(3,800)	–
Interest on bank borrowings wholly repayable within five years		(59)	(168)
		<hr/>	<hr/>
Profit (loss) before taxation	4	3,600	(7,372)
Taxation	5	(825)	31
		<hr/>	<hr/>
Profit (loss) for the period from continuing operation		2,775	(7,341)
<b>Discontinued operation</b>			
Loss for the period from discontinued operation	3	–	(5,500)
		<hr/>	<hr/>
Profit (loss) for the period		2,775	(12,841)
		<hr/> <hr/>	<hr/> <hr/>
Earnings (loss) per share			
From continuing and discontinued operations:			
– Basic and diluted	6	0.7HK cents	(3.3)HK cents
		<hr/> <hr/>	<hr/> <hr/>
From continuing operation:			
– Basic and diluted	6	0.7HK cents	(1.9)HK cents
		<hr/> <hr/>	<hr/> <hr/>

**Condensed Consolidated Balance Sheet**

At 30th September, 2007

		30.9.2007 HK\$'000 (Unaudited)	31.3.2007 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment		101,712	107,819
Prepaid lease payments		2,013	2,042
Held-to-maturity investments		15,600	15,600
		<hr/>	<hr/>
		119,325	125,461
		<hr/>	<hr/>
Current assets			
Inventories		113,067	108,208
Trade and other receivables	7	76,883	48,986
Bills receivable		6,037	2,405
Prepaid lease payments		58	58
Held-for-trading investments		4,714	5,167
Derivative financial instruments		819	1,203
Pledged bank deposit		4,000	4,000
Bank balances and cash		88,508	104,239
		<hr/>	<hr/>
		294,086	274,266
		<hr/>	<hr/>
Current liabilities			
Trade and other payables	8	35,706	30,360
Bills payable - secured		3,545	1,989
Taxation payable		4,052	3,464
Obligations under finance leases - due within one year		852	2,336
Derivative financial instruments		112	475
		<hr/>	<hr/>
		44,267	38,624
		<hr/>	<hr/>
Net current assets		249,819	235,642
		<hr/>	<hr/>
Total assets less current liabilities		369,144	361,103
		<hr/>	<hr/>
Non-current liabilities			
Obligations under finance leases - due after one year		—	134
Deferred tax liabilities		—	—
		<hr/>	<hr/>
		—	134
		<hr/>	<hr/>
		369,144	360,969
		=====	=====
Capital and reserves			
Share capital		38,376	38,376
Reserves		330,768	322,593
		<hr/>	<hr/>
		369,144	360,969
		=====	=====

## Notes To The Condensed Consolidated Financial Statements

For the six months ended 30th September, 2007

### 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard (“HKAS”) 34 ‘Interim Financial Reporting’ issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

### 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 31st March, 2007.

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 the HKICPA, which are effective for the Group’s financial year beginning on 1st April, 2007. The adoption of the new HKFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment is required.

### 3. SEGMENT INFORMATION

#### Business segments

For management purpose, the Group is currently engaged in the manufacturing and trading of knitted fabric and dyed yarns. The Group was also involved in the manufacturing and trading of garment products which had been discontinued on 16th September, 2006. These activities are the basis on which the Group reports its primary segment information.

Segment information about these activities is presented below:

For the six months ended 30th September, 2007

	Continuing operation ----- Manufacture and sale of knitted fabric and dyed yarns <i>HK\$'000</i>	Discontinued operation ----- Manufacturing and trading of garment products <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue				
External sales	187,115	-	-	187,115
Inter-segment sales	-	-	-	-
Total revenue	187,115	-	-	187,115
Results				
Segment results	(3,835)	-	-	(3,835)
Other income	7,494	-	-	7,494
Unallocated corporate expense	-	-	-	-
Interest on bank borrowings wholly repayable within five years	(59)	-	-	(59)
Profit before taxation	3,600	-	-	3,600
Taxation	(825)	-	-	(825)
Profit for the period	2,775	-	-	2,775

For the six months ended 30th September, 2006

	Continuing operation -----	Discontinued operation -----		
	Manufacture and sale of knitted fabric and dyed yarns <i>HK\$'000</i>	Manufacturing and trading of garment products <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue				
External sales	193,138	4,672	-	197,810
Inter-segment sales	676	-	(676)	-
Total revenue	<u>193,814</u>	<u>4,672</u>	<u>(676)</u>	<u>197,810</u>
Results				
Segment results	(7,491)	(5,759)		(13,250)
Other income	1,488	259		1,747
Unallocated corporate expense	(1,201)	-		(1,201)
Interest on bank borrowings wholly repayable within five years	(168)	-		(168)
Loss before taxation	<u>(7,372)</u>	<u>(5,500)</u>		<u>(12,872)</u>
Taxation	31	-		31
Loss for the period	<u>(7,341)</u>	<u>(5,500)</u>		<u>(12,841)</u>

\*Inter-segment sales were charged at terms determined and agreed between the group companies.

### Discontinued operation

The results of the garment manufacturing and trading operations for the interim reporting period were as follows:

	Six months ended	
	30.9.2007 <i>HK\$'000</i>	30.9.2006 <i>HK\$'000</i>
Revenue	-	4,672
Cost of sales	-	(5,573)
Other income	-	259
Distribution costs	-	(38)
Administrative expenses	-	(1,881)
Impairment loss on property, plant and equipment	-	(2,939)
Loss for the period	<u>-</u>	<u>(5,500)</u>

#### 4. PROFIT (LOSS) BEFORE TAXATION

	Six months ended	
	30.9.2007	30.9.2006
	HK\$'000	HK\$'000
<hr/>		
Profit (loss) before taxation has been arrived at after charging:		(As restated)
Cost of inventories recognised	171,860	181,280
Depreciation of property, plant and equipment	9,868	12,325
Amortisation of prepaid lease payments	29	30
Impairment loss on trade and other receivable	3,800	470
Allowance for damaged inventories (included in cost of sales)	–	2,660
Impairment loss on property, plant and equipment	–	2,939
and after crediting:		
Interest income from banks	1,159	967
(Loss) Gain on disposal of property, plant and equipment	(7)	353
	=====	=====

#### 5. TAXATION

	Six months ended	
	30.9.2007	30.9.2006
	HK\$'000	HK\$'000
<hr/>		
<b>Continuing operation</b>		
Current tax:		
Hong Kong Profits Tax	10	27
Other jurisdictions	874	59
	-----	-----
	884	86
Overprovision in prior years:		
Other jurisdictions	(59)	(117)
	-----	-----
	825	(31)
	=====	=====

Provision for Hong Kong profits tax and overseas taxation has been calculated at rates of tax prevailing in the countries in which the Group operates.

**6. EARNINGS (LOSS) PER SHARE**  
**From continuing and discontinued operations**

The calculation of the basic and diluted earnings (loss) per share attributable to the equity holders of the Company is based on the following data:

	<b>Six months ended</b>	
	30.9.2007 <i>HK\$'000</i>	30.9.2006 <i>HK\$'000</i>
Net profit (loss) for the period (continuing and discontinued operations)	2,775	(12,841)
Profit (loss) for the period attributable to equity holders of the Company	2,775	(12,841)
Less: Loss for the period from discontinued operation	–	5,500
Profit (loss) for the purposes of basic and diluted earnings (loss) per share from continuing operation	2,775	(7,341)
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic earnings (loss) per share from continuing and discontinued operations	383,763,200	385,378,391
Effect to dilutive potential ordinary shares in respect of share options	760,736	–
Weighted average number of ordinary shares for the purposes of diluted earnings (loss) per share from continuing and discontinued operations	384,523,936	385,378,391

**7. TRADE AND OTHER RECEIVABLES**

The credit terms given to the customers vary from cash on delivery to 120 days and are generally based on the financial strength of individual customers. In order to effectively manage the credit risks associated with the trade receivables, credit evaluation of customers are performed periodically.

Included in trade and other receivables of the Group are trade receivables of approximately HK\$73,304,000 (31st March, 2007: HK\$46,340,000). The following is an aged analysis of trade receivables at the balance sheet date:

	30.9.2007 <i>HK\$'000</i>	31.3.2007 <i>HK\$'000</i>
0 – 60 days	44,599	30,389
61 – 90 days	12,215	7,401
91 – 120 days	12,243	1,566
Over 120 days	4,247	6,984
	73,304	46,340

## 8. TRADE AND OTHER PAYABLES

Included in trade and other payables of the Group and trade payables of approximately HK\$21,028,000 (31st March, 2007: HK\$16,913,000). The following is an aged analysis of trade payables at the balance sheet date:

	30.9.2007 <i>HK\$'000</i>	31.3.2007 <i>HK\$'000</i>
0 – 60 days	12,274	13,391
61 – 90 days	3,026	1,664
Over 90 days	5,728	1,858
	<hr/> 21,028 <hr/> <hr/>	<hr/> 16,913 <hr/> <hr/>

## INTERIM DIVIDEND

The directors do not recommend payment of any interim dividend for the current period.

## BUSINESS REVIEW

For the six months ended 30th September, 2007, the Group recorded a turnover of approximately HK\$187,115,000 representing a decrease of 3.1% as compared with same period last year (excluding discontinued operation) amid difficult business environment as a result of market competition. Gross profit is approximately HK\$15,255,000 representing an increase of 65.9% as compared with same period last year (excluding discontinued operation). The Group recorded a net profit of HK\$2,775,000 for the period after the impairment loss on trade and other receivable of approximately HK\$3,800,000. The improvement in net results was mainly attributed to the expansion of the Group's diversified production capacity which had enabled the Group to provide better services as well as high quality products to its customers, and the opening up of new markets. Moreover, the Group has continuously controlled its production costs and overhead expenses which also contributed towards the improvement in its gross margin to 8.15% from 4.76% of the same period in 2006. The discontinued operation in the manufacturing and sales of garment also gave a positive impact to the Group's result.

During the period, manufacturing and sales of the knitted fabric and dyed yarns are the principal activities of the Group. Production costs had increased markedly because of rise in price of dyed material, coal and electricity, and salary and wages in China. Moreover, the Group also suffered from the negative impact from the appreciation of the Renminbi. However, as mentioned above, the Group was able to improve the gross margin as the Group managed to control other production costs and overhead expenses reasonably well. The Group has also continued its prudent and conservative credit policy towards customers, and has monitored closely its inventory level as well as production requirements. These measures have enabled the Group to maintain a healthy cash level.

During the period under review, the Group has invested approximately HK\$2,475,000 in property, plant and equipment to upgrade its factory and production facilities so as to increase its productivity and to enhance its production quality. Together with the capital investments in previous years, the Group has managed to achieve production at better economies of scale.

On 16th July, 2007, the Company has entered into two agreements with Emperor Securities Limited, pursuant to which, the Company had issued 38,000,000 unlisted warrants at the price of HK\$0.10 each, the subscription price of the warrant was HK\$1.06 per subscription share. Details of this transaction were disclosed on the announcement dated 18th July, 2007.

## **PROSPECTS**

Looking forward, the high production costs resulting from price increase in dyed material, coal and electricity, and salary and wages in China will continue to affect the Group's performance. The board believes that the business environment in the second half of the year is expected to be highly competitive and more challenging. The Group will continue to take appropriate cost control measures, rationalizing its operations, applying prudent credit policy for its customers and improving product quality in order to achieve improved return for its shareholders.

In the market front, the Group will strive to expand into the Asian and the PRC markets so as to broaden the Group's customer base and to reduce reliance on the US market.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30th September, 2007, the Group's shareholders' equity amounted to HK\$369,144,000, while total bank indebtedness was approximately HK\$4,397,000, and cash on hand amounted to approximately HK\$92,508,000. The Group's bank indebtedness to equity ratio is only 0.01. Current ratio is 6.6. The Board believes that the Group's sound and healthy financial position will enable it to finance its operation and explore other business development opportunities.

As at 30th September, 2007, the Group has long-term high graded securities and investments of approximately HK\$15,600,000 of which HK\$7,800,000 has been pledged to bank as securities for general banking facilities granted to the Group.

The Groups' assets and liabilities were primarily denominated in Hong Kong dollars, Chinese Renminbi and US dollars. The Board is closely monitoring the fluctuations in these exchange rates, and believes there is no substantial exposure in exchange rate risk.

## **PLEDGE OF ASSETS**

At the balance sheet date, certain buildings of the Group with an aggregate net book value of approximately HK\$2,215,000, held-to-maturity investment of approximately HK\$7,800,000 and bank deposit of HK\$4,000,000 are pledged to banks as security for general banking facilities granted to the Group.

## **STAFF AND REMUNERATION POLICIES**

As at 30th September, 2007, the Group had approximately 960 employees. The Group mainly determines staff remuneration in accordance with market terms, individual qualifications and experience.

The emoluments of the directors of the Company are decided by the board of directors, as authorised by the shareholders at the annual general meeting having regard to the Group's operating results, individual performance and comparable market statistics.

The Company maintains a share option scheme, pursuant to which, share options are granted to selected eligible participants, with a view to provide incentive to the option holders to participate and contribute the growth of the Group.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the six months ended 30th September, 2007, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **CORPORATE GOVERNANCE**

The Company has complied throughout the six months ended 30th September, 2007 with the Code on Corporate Government Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), except for the deviation from code provision of A.4.1, pursuant to which, non-executive directors should be appointed for a specific term and subject to re-election. Certain Company's independent non-executive directors are not appointed for a specific term but are subject to retirement by rotation under the Company's Bye-laws, so that every independent non-executive directors shall retire at least once every three years.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 of the Listing Rules on the Stock Exchange as the code of conduct regarding securities transactions by directors. Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the Model Code.

The Company has formed an audit committee whose terms of reference is formulated in accordance with the requirements of the Stock Exchange its current members comprise of three independent non-executive directors. The primary responsibilities of the Audit Committee include reviewing the reporting of financial and other information of shareholders, systems of internal controls, risk management and the effectiveness and objectivity of the audit process.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This interim results announcement is available for viewing on the website of Hong Kong Exchanges and Clearing Limited at ([www.hkex.com.hk](http://www.hkex.com.hk)) under "Latest Listed Company Information" and on the website of the Company at (<http://kwonghing.etnet.com.hk>). The interim report will be dispatched to the shareholders of the Company and will be published on the above websites in due course.

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

Hong Kong, 15th December, 2007

The following are directors of the Company as at the date of this announcement:

### *Executive Directors*

Li Man Ching (*Chairman*)  
Li Mei Lin (*Deputy-Chairman & Chief Executive Officer*)  
Li Man Shun  
Fung Chi Ki

### *Independent Non-executive Directors*

Tsui Wing Yin  
Lee Pui Shing  
So Kin Wah