

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 (the “Group”) for the six months ended 30th September, 2000 with comparative figures for the corresponding period as follows. The results have been reviewed by the Company’s audit committee.

Consolidated Income Statement (Unaudited)

For the six months ended 30th September, 2000

		Six months ended 30th September,	
		2000	1999
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	217,794	152,548
Cost of sales		(196,180)	(132,840)
Gross profit		21,614	19,708
Other revenue		1,543	1,770
Selling expenses		(3,420)	(2,609)
Administrative expenses		(9,246)	(7,081)
Other operating (expense) income		(2,270)	759
Profit from operations		8,221	12,547
Finance costs		(237)	(960)
Profit before taxation		7,984	11,587
Taxation	3	(468)	(796)
Net profit for the period		7,516	10,791
Earnings per share – Basic	4	0.48 cents	0.97 cents

Consolidated Balance Sheet

At 30th September, 2000

		(Unaudited) 30th September, 2000 HK\$'000	(Audited) 31st March, 2000 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	128,671	119,463
Investment in securities		16,383	–
		<u>145,054</u>	<u>119,463</u>
Current assets			
Inventories		39,466	49,836
Trade and other receivables	6	175,705	175,510
Bills receivable		1,782	3,319
Short-term bank deposit		18,243	–
Bank balances and cash		8,929	42,422
		<u>244,125</u>	<u>271,087</u>
Current liabilities			
Trade and other payables	7	36,241	62,969
Bills payable			
– secured		18,113	5,535
– unsecured		736	10,534
Taxation		3,693	3,643
Obligations under finance leases-due within one year		1,933	1,940
Bank borrowings		1,829	2,658
		<u>62,545</u>	<u>87,279</u>
Net current assets		<u>181,580</u>	<u>183,808</u>
Non-current liabilities			
Deferred taxation		6,667	6,261
Obligations under finance leases -due after one year		25	1,016
		<u>6,692</u>	<u>7,277</u>
		<u>319,942</u>	<u>295,994</u>
CAPITAL AND RESERVES			
Share capital	8	161,100	153,400
Reserves		158,842	142,594
		<u>319,942</u>	<u>295,994</u>

Consolidated Statement of Recognised Gains and Losses (Unaudited)

For the six months ended 30th September, 2000

Six months ended 30th September,

	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Exchange difference arising on translation of overseas operation not recognised in the income statement	1,038	(120)
Net profit for the period	<u>7,516</u>	<u>10,791</u>
Total recognised gains	<u><u>8,554</u></u>	<u><u>10,671</u></u>

Condensed Consolidated Cash Flow Statement (Unaudited)

For the six months ended 30th September, 2000

Six months ended 30th September,

	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
NET CASH INFLOW FROM OPERATING ACTIVITIES	4,866	21,653
NET CASH INFLOW (OUTFLOW) FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	971	(407)
TAXATION (PAID) REFUNDED	(12)	14
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	<u>(19,710)</u>	<u>(7,967)</u>
NET CASH (OUTFLOW) INFLOW BEFORE FINANCING	(13,885)	13,293
NET (OUTFLOW) INFLOW FROM FINANCING	<u>(1,004)</u>	<u>12,597</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(14,889)	25,890
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	39,764	9,919
EFFECT ON FOREIGN EXCHANGE RATE CHANGES	<u>468</u>	<u>(44)</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u><u>25,343</u></u>	<u><u>35,765</u></u>

Notes to the Unaudited Interim Financial Statements

For the six months ended 30th September, 2000

1. ACCOUNTING POLICIES

The unaudited interim financial statements have been prepared in compliance with Statement of Standard Accounting Practice (“SSAP”) 25 “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, 2000, except as described below.

SSAP 24 “Accounting for Investment in Securities”, which has been adopted in the first time in this interim reporting period, has introduced a new framework for the classification of investments in securities and the adoption of the standard has had a significant effect on the treatment adopted by the Group for its investments in securities. In adopting SSAP 24, the Group has selected the alternative treatment in securities for the securities other than held-to maturity securities.

Under SSAP 24, all investments in securities are carried at fair value. For securities acquired for trading purposes, valuation movements are dealt with in the income statement. For other securities, valuation movements are dealt with in equity.

2. TURNOVER

Sales of knitted fabric and dyed yarns account for more than 95% of the Group’s turnover for the period, substantially all of which are made to the customers based in Hong Kong. The turnover comprises:

	Six months ended 30th September,	
	2000	1999
	<i>HK\$’000</i>	<i>HK\$’000</i>
Sale of knitted fabric and dyed yarns	215,058	148,402
Subcontracting fee income	2,736	4,146
	<u>217,794</u>	<u>152,548</u>

3. TAXATION

	Six months ended 30th September,	
	2000	1999
	<i>HK\$’000</i>	<i>HK\$’000</i>
The charge comprises:		
Hong Kong Profits Tax calculated at 16% of the estimated assessable profit for the period	26	145
Deferred taxation	406	611
	<u>432</u>	<u>756</u>
Overseas Tax calculated at the rates prevailing in the respective jurisdictions	36	40
	<u>468</u>	<u>796</u>

4. EARNINGS PER SHARE

The calculation of the basic earnings per share for the six months ended 30th September, 2000 is based on the profit for the period of approximately HK\$7,516,000 (1999: HK\$10,791,000) and on the weighted average number of 1,564,715,847 shares (1999: 1,118,032,787 shares) in issue during the period. The exercise price of the Company's outstanding share option is higher than the fair value per share for the six months ended 30th September, 2000, and the exercise of the subscription rights conferred by share options granted by the Company would not dilute the earnings per share in respect of the six months ended 30th September, 1999. Accordingly no diluted earnings per share for these two periods are shown.

5. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$18,727,000 (1999: HK\$8,322,000) on property, plant and equipment to upgrade its production capabilities. Depreciation of approximately HK\$10,089,000 (1999: HK\$9,641,000) was charged in respect of Group's property, plant and equipment.

At the balance sheet date, the net book value of property, plant and equipment held under finance leases is approximately HK\$5,635,000 (31st March, 2000: HK\$6,897,000). And net book value of certain Group's leasehold land and building of approximately HK\$13,687,000 (31st March, 2000: HK\$13,848,000) have been pledged to banks as security for general banking facilities granted to the Group.

6. TRADE RECEIVABLES

Included in trade and other receivables are trade receivables of approximately HK\$117,809,000 (31st March, 2000: HK\$149,284,000). An aging analysis of trade receivables at the balance sheet dates is as follows:

	30th September, 2000	31st March, 2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 60 days	69,911	57,357
61 – 90 days	22,637	28,541
> 90 days	25,261	63,386
	<u>117,809</u>	<u>149,284</u>

The credit terms given to the customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with trade receivables, credit evaluations of customers are performed periodically.

7. TRADE PAYABLES

Included in trade and other payables are trade payables of approximately HK\$29,222,000 (31st March, 2000: HK\$53,136,000). An aging analysis of the trade payables at the balance sheet dates is as follows:

	30th September, 2000	31st March, 2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 60 days	17,993	42,728
61 – 90 days	5,012	4,220
> 90 days	6,217	6,188
	<u>29,222</u>	<u>53,136</u>

8. SHARE CAPITAL

Pursuant to the two separate agreements and its supplemental agreements, the Company allotted and issued 77,000,000 shares of HK\$0.10 each in the Company at the issue price of HK\$0.20 per share for the acquisition of 7% of the issued share capital of Victory Tech Limited during the period. The total number of shares in issue is 1,611,000,000 as at 30th September, 2000.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30th September, 2000 (1999: nil).

BUSINESS REVIEW

During six months ended 30th September, 2000, despite the difficult business environment resulted from extreme competition and increase of production cost, the Group recorded a turnover of approximately HK\$217,794,000, representing a growth of approximately 42.8% over the same period in 1999. The growth was mainly attributed to the expansion of the Group's diversified production capacity. However, the price reduction resulted from keen competition led to a decrease of profit by 30.4% to HK\$7,516,000 from HK\$10,791,000 while the gross profit margin was dropped to 9.9% from 12.9% of the same period in 1999 despite the measures on the control of operation cost had been taken.

During the period under review, the Group spent approximately HK\$18,727,000 on additions to property, plant and equipment to upgrade its factory and production facilities as to increase its productivity and to enhance its product quality. These investments and previous capital investments have strengthened the Group's competence, as well as its market position, and contributed additional revenues to the Group.

The Group had acquired 7% of shareholding of Victory Tech Limited ("VT") with an option of acquisition of its further 8% interest within one year commenced from 21st July, 2000. Currently, VT owns certainly high growth potential websites named "airlodge.com", "cult-ture.com" and "chichungschoice.com". "airlodge.com" is an one-stop on-line travel agent in Hong Kong and the Greater China region, "cult-ture.com" and "chichungschoice.com", are web-based music studio including the sale of musical products through on-line auction. The acquisition was satisfied by issuing 77 million shares for a 7% interest in VT. Should the Group exercise its option, additional 88 million shares will be issued for acquiring further 8% interest in VT.

PROSPECTS

As the business environment in the second half of the year is expected to remain highly competitive and challenging, the Board believes that the Group's business will not be significantly improved in the near future although the enhanced production facilities will continuously contribute to the Group's revenue.

Looking forward, apart from existing core business that the Group aims to integrate its business to become a total solution provider to create high value-added tailored products and services to the customers, the Group will continue to explore any business opportunities to develop technological projects in response to the global trend.

LIQUIDITY AND FINANCIAL RESOURCES

At 30th September, 2000, the Group's shareholders' equity amounted to HK\$319,942,000 while total debts amounted to HK\$3,787,000. The ratio of total debts to shareholders' equity is 1.2% while the current ratio is 3.9. Net cash on hand was approximately HK\$25,343,000. The Board believes that the Group's sound and healthy financial position will enable the Group to discharge its debts, finance its operation and explore other business development opportunities.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

At 30th September, 2000, the interests of the directors and chief executives and their associates in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of interests) Ordinance ("SDI Ordinance") were as follows:

	Number of shares held	
	Personal interests	Other interests
		<i>(Note)</i>
Mr. Li Man Ching	–	630,000,000
Ms. Li Mei Lin	–	630,000,000
Mr. Li Man Shun	–	630,000,000
Mr. Li Man Tak	11,430,000	630,000,000

Note: Mr. Li Man Ching, Ms. Li Mei Lin, Mr. Li Man Shun and Mr. Li Man Tak beneficially own 24,300 shares, 22,500 shares, 21,600 shares and 21,600 shares, respectively, in Rayten Limited, representing 27 per cent, 25 per cent, 24 per cent and 24 per cent, respectively, of the issued share capital of Rayten Limited, which in turn owns 630,000,000 shares of HK\$0.10 each in the Company.

Other than as disclosed above, none of the directors and chief executives or their associates had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES

Other than the share option scheme of the Company, at no time during the six months ended 30th September, 2000 was the Company or any of its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors or chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors, chief executives or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

SUBSTANTIAL SHAREHOLDERS

Other than the interest as disclosed above in respect of certain directors and their associates, the register required to be maintained under Section 16(1) of the SDI Ordinance shows that the Company had not been notified of the existence of any interest representing 10% or more of the issued share capital of the Company as at 30th September, 2000.

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

During the six months ended 30th September, 2000, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

None of the directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30th September, 2000, in compliance with the "Code of Best Practice" as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

By Order of the Board

Li Man Ching

Chairman

Hong Kong, 21st December, 2000