

RESULTS

The Board of directors (the “Board”) of Kwong Hing International Holdings (Bermuda) Limited (the “Company”) announce the unaudited consolidated interim results of the Company and its subsidiaries and associate (the “Group”) for the six months ended 30th September, 2001 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, 2001

	<i>Notes</i>	Six months ended	
		2001	2000
		<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	193,545	217,794
Cost of sales		(178,329)	(196,180)
Gross profit		15,216	21,614
Other revenue		863	1,543
Selling expenses		(4,163)	(3,420)
Administrative expenses		(10,438)	(9,246)
Provision for bad and double debts		(2,831)	(2,270)
Unrealised gain on trading securities		19	–
(Loss) profit from operations		(1,334)	8,221
Finance costs		(33)	(237)
(Loss) profit before taxation		(1,367)	7,984
Taxation	3	650	(468)
Net (loss) profit for the period		(717)	7,516
(Loss) earning per share	4	(0.04) cents	0.48 cents

CONSOLIDATED BALANCE SHEET

At 30th September, 2001

		(Unaudited) 30th September, 2001 <i>HK\$'000</i>	(Audited) 31st March, 2001 <i>HK\$'000</i>
	<i>Notes</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	5	123,853	123,684
Interest in an associate		26,653	26,653
Investment in securities		10	10
		<u>150,516</u>	<u>150,347</u>
Current assets			
Investment in securities		237	926
Inventories		57,670	49,290
Trade and other receivables	6	125,447	109,536
Bills receivable		151	2,616
Bank balance and cash		31,384	39,653
		<u>214,889</u>	<u>202,021</u>
Current liabilities			
Trade and other payables	7	39,642	32,587
Bills payable			
– secured		–	4,084
– unsecured		25,790	13,944
Taxation		3,738	3,739
Obligations under finance leases-due within one year		25	1,017
		<u>69,195</u>	<u>55,371</u>
Net current assets		<u>145,694</u>	<u>146,650</u>
Non-current liabilities			
Deferred taxation		5,131	5,791
		<u>5,131</u>	<u>5,791</u>
		<u>291,079</u>	<u>291,206</u>
CAPITAL AND RESERVES			
Share capital		161,100	161,100
Reserves		129,979	130,106
		<u>291,079</u>	<u>291,206</u>

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES (UNAUDITED)

For the six months ended 30th September, 2001

	Six months ended 30th September,	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Exchange difference arising on translation of overseas Operation not recognized in the income statement	590	1,038
Net (loss) profit for the period	<u>(717)</u>	<u>7,516</u>
Total recognised (losses) gains	<u><u>(127)</u></u>	<u><u>8,554</u></u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 30th September, 2001

	Six months ended 30th September,	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
NET CASH INFLOW FROM OPERATING ACTIVITIES	3,170	4,866
NET CASH INFLOW FROM RETURNS ON INVESTMENT AND SERVICING OF FINANCE	442	971
TAXATION PAID	(11)	(12)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	<u>(11,088)</u>	<u>(19,710)</u>
NET CASH OUTFLOW BEFORE FINANCING	(7,487)	(13,885)
NET OUTFLOW FROM FINANCING	<u>(992)</u>	<u>(1,004)</u>
DECREASE IN CASH OR CASH EQUIVALENT	(8,479)	(14,889)
BANK AND CASH EQUIVALENT AT BEGINNING OF THE PERIOD	39,653	39,764
EFFECT ON FOREIGN EXCHANGE RATE CHANGES	210	468
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u><u>31,384</u></u>	<u><u>25,343</u></u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th September, 2001

1. ACCOUNTING POLICIES

The unaudited interim financial statements have been prepared in compliance with Statement of Standard Accounting Practice 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, 2001.

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:

	Six months ended 30th September,	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sale of knitted fabric and dyed yarns	190,138	215,058
Subcontracting fee income	3,407	2,736
	<u>193,545</u>	<u>217,794</u>

3. TAXATION

	Six months ended 30th September,	
	2001	2000
	<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
Deferred taxation	(660)	406
	<u>(660)</u>	432
Overseas Tax calculated at the rates prevailing in the respective jurisdictions	10	36
	<u>(650)</u>	<u>468</u>

4. (LOSS) EARNING PER SHARE

The calculation of the basic loss (earning) per share for the six months ended 30th September, 2001 is based on the loss for the period of approximately HK\$717,000 (2000: a profit of approximately HK\$7,516,000) and on the weighted average number of 1,611,000,000 shares (2000: 1,564,715,847 shares) in issue during the period. Diluted (loss) earning per share for the periods were not disclosed as there were no dilutive potential ordinary shares.

5. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$11,160,000 (2000: HK\$18,727,000) on property, plant and equipment to upgrade its production capabilities. Depreciation of approximately HK\$11,328,000 (2000: HK\$10,089,000) 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 nil (31st March, 2001: HK\$5,194,000). And net book value of certain Group's leasehold land and building of approximately HK\$2,589,000 (31st March, 2001: HK\$2,620,000) have been pledged to bank as security for general banking facilities granted to the Group.

6. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of HK\$94,697,000 (31st March, 2001: HK\$92,377,000). An aging analysis of the trade receivable at the balance dates is as follows:

	30th September, 2001	31st March, 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-60 days	52,933	47,935
61-90 days	20,845	9,562
> 90 days	20,919	34,880
	<u>94,697</u>	<u>92,377</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 AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$16,589,000 (31st March, 2001: HK\$22,891,000). An aging analysis of the trade payables at the balance dates is as follows:

	30th September, 2001	31st March, 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-60 days	10,807	13,727
61-90 days	4,684	2,643
> 90 days	1,098	6,521
	<u>16,589</u>	<u>22,891</u>

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30th September, 2001 (2000: nil).

BUSINESS REVIEW

During the six months ended 30th September, 2001, the Group recorded a turnover of approximately HK\$193,545,000, representing a decrease of approximately of 11.1% from previous year. Net loss attributable to the shareholders was approximately HK\$717,000 as compared to last year's net profit of approximately HK\$7,516,000. This was mainly due to the price reduction resulted from keen competition which narrowed our gross margin to 7.9% from 9.9% of the same period in 2000 despite the measures on the control of operation costs had been taken.

During the period under review, the business environment was worse than that of last year. The US economy was seriously hit by the event of 11th September, which had a significant impact on the Group's business as the US provides the major market to the Group's customers.

Throughout the period, the Group had continuously controlled its production costs and overhead. However, owing to the price reduction as a result of severe competition from our rivals and the event of 11th September, and the provision for bad and doubtful debts of approximately HK\$2,831,000, the Group recorded a net loss of approximately HK\$717,000 for the period.

During the same period, the Group spent approximately HK\$11,600,000 on additions to property, plant and equipment to upgrade its factory and production facilities, for the purpose of enhancing its productivity and its product quality. The continuing capability of the Group to generate sophisticated products with competitive prices is created and driven by its viable production management policy which is supported by advanced production facilities.

On 4th September, 2001, the Board put forward proposals under which the shareholders were invited to consider approving the Capital Re-organization and By-law Amendments, the details of which were set out in the circular dated 29th September, 2001. The above proposals had been approved subsequently by the shareholders in the special general meeting held on 22nd October, 2001.

Subsequent to the period ended 30th September, 2001, the Company announced share placing, pursuant to which, 322,200,000 shares had been issued at the price of HK\$0.05 per share on 29th November, 2001. It was intended that approximately 50% of net proceeds would be used for repayment of indebtedness to financial institutions and the remaining balance for general working capital. The Board considered that the placement would increase the liquidity of the Company's shares in the stock market, and would also improve the financial strength and liquidity of the Group.

PROSPECTS

Taking into account the impact of the tragic event on 11th September which has further dampened the world economy, the business environment in the second half of the year is expected to be highly competitive and more difficult. The Board believes that the Group's business will not be significantly improved in the near future, although the benefit from the enhanced production facilities will be steadily realized.

In view of this unprecedented difficult business environment, the Group will continuously focus in cutting costs, rationalizing its operations, pursuing a cautionary credit policy for its customers and improving product quality in order to achieve a better return for its shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th September, 2001, the Group's shareholders' equity amounted to HK\$291,079,000, while total debts came to HK\$25,000. The ratio of total debts to shareholders' equity is immaterial and the current ratio is 3.1. Net cash on hand was approximately HK\$31,384,000. 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.

STAFF AND REMUNERATION POLICIES

As at 30th September, 2001, the Group had approximately 810 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.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

At 30th September, 2001, 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
Mr. Li Man Ching	—	682,310,000
Ms. Li Mei Lin	—	682,310,000
Mr. Li Man Shun	—	682,310,000
Mr. Li Man Tak	23,430,000	682,310,000

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 682,310,000 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, 2001 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, 2001.

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

During the six months ended 30th September, 2001, 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, 2001, 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, 28th December, 2001