

# KWONG HING INTERNATIONAL HOLDINGS (BERMUDA) LIMITED

## 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
	HK\$’000	HK\$’000
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
	HK\$’000	HK\$’000
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

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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:

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

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