

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

		For the six months ended 30th September,	
		2002	2001
	Notes	HK\$'000	HK\$'000
Turnover	2	200,555	193,545
Cost of sales		<u>(172,175)</u>	<u>(178,329)</u>
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		<u>(1,096)</u>	<u>19</u>
Profit (loss) from operations		12,902	(1,334)
Finance costs		<u>–</u>	<u>(33)</u>
Profit (loss) before taxation		12,902	(1,367)
Taxation	3	<u>482</u>	<u>(650)</u>
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>

CONSOLIDATED BALANCE SHEET

At 30th September, 2002

		(Unaudited) 30th September, 2002 HK\$'000	(Audited) 31st March, 2002 HK\$'000
Non-current assets			
Property, plant and equipment	6	107,752	116,070
Interest in an associate		6,656	6,656
Investment in securities		10	10
		<u>114,418</u>	<u>122,736</u>
Current assets			
Investment in securities		4,373	277
Inventories		65,156	59,728
Trade and other receivables	7	135,691	95,580
Bills receivable		1,515	999
Bank balance and cash		114,465	143,516
		<u>321,200</u>	<u>300,100</u>
Current liabilities			
Trade and other payables	8	43,572	30,817
Bills payable			
– secured		–	2,087
– unsecured		9,373	19,780
Taxation		4,151	3,763
		<u>57,096</u>	<u>56,447</u>
Net current assets		<u>264,104</u>	<u>243,653</u>
Total assets less current liabilities		<u>378,522</u>	<u>366,389</u>
Non-current liabilities			
Deferred taxation		3,844	4,131
		<u>374,678</u>	<u>362,258</u>
CAPITAL AND RESERVES			
Share capital		38,664	38,664
Share premium		129,660	129,660
Contribution Surplus		122,652	122,652
Exchange Reserve		(278)	(278)
Retained profit		79,340	71,560
Proposed dividend		4,640	–
		<u>374,678</u>	<u>362,258</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 30th September, 2002

For the six months ended
30th September, 2002 30th September,
2001

NET CASH (OUTFLOW) INFLOW FROM OPERATING ACTIVITIES	(26,558)	3,601
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(2,493)	(11,088)
NET CASH OUTFLOW FROM FINANCING	<u>—</u>	<u>(992)</u>
DECREASE IN CASH OR CASH EQUIVALENT	(29,051)	(8,479)
CASH AND CASH EQUIVALENT AT BEGINNING OF THE PERIOD	143,516	39,653
EFFECT ON FOREIGN EXCHANGE RATE CHANGES	<u>—</u>	<u>210</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>114,465</u>	<u>31,384</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:

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

3. Taxation

	For the six months ended	
	30th September, 2002 HK\$’000	30th September, 2001 HK\$’000
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.	345	10
	<u>482</u>	<u>(650)</u>

4. Dividend

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

6. Property, Plant and Equipment

During the period, the Group spent approximately HK\$2,693,000 (2001: HK\$11,160,000) on property, plant and equipment to upgrade its production capabilities. Depreciation of approximately HK\$11,011,000 (2001: HK\$11,328,000) was charged in respect of Group's property, plant and equipment.

At the balance sheet date, certain Group's leasehold land and building 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.

7. Trade and other receivables

Included in trade and other receivables are trade receivables of HK\$99,811,000 (31st March, 2002: HK\$87,599,000). An aging analysis of the trade receivable at the balance dates is as follows:

	30th September, 2002	31st March, 2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-60 days	52,947	48,787
61-90 days	12,209	13,957
91-120 days	4,082	7,788
> 120 days	30,573	17,067
	99,811	87,599

The credit terms given to the customers vary from cash on delivery to 120 days 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

8. Trade and other payables

Included in trade and other payables are trade payables of HK\$20,578,000 (31st March, 2002: HK\$19,910,000). An aging analysis of the trade payables at the balance dates is as follows:

	30th September, 2002	31st March, 2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-60 days	15,898	16,550
61-90 days	2,112	2,878
> 90 days	2,568	482
	20,578	19,910

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.

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.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

At 30th September, 2002, 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	–	1,637,480,000
Ms. Li Mei Lin	–	1,637,480,000
Mr. Li Man Shun	–	1,637,480,000
Mr. Li Man Tak	63,700,000	1,637,480,000

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 1,637,480,000 shares of HK\$0.01 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, 2002 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 period.

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, 2002.

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

During the six months ended 30th September, 2002, 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, 2002, 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, 20th December, 2002