



KWONG HING INTERNATIONAL HOLDINGS (BERMUDA) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1131)



*Interim Report
2009-2010*

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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, 2009 with comparative figures for the corresponding period as follows. The interim results have been reviewed by the Company’s audit committee.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30th September, 2009

	Notes	Six months ended	
		30.9.2009 HK\$'000 (Unaudited)	30.9.2008 HK\$'000 (Unaudited)
Revenue	3	92,480	141,417
Cost of sales		(84,863)	(129,935)
Gross profit		7,617	11,482
Other income		2,162	2,872
Distribution and selling expenses		(1,921)	(2,476)
Administrative expenses		(17,364)	(11,833)
Fair value changes on financial instruments at fair value through profit or loss		19,335	(13,342)
Finance costs		–	(1)
Profit (loss) before taxation	4	9,829	(13,298)
Taxation	5	–	–
Profit (loss) for the period, attributable to owners of the Company		9,829	(13,298)
Other comprehensive income			
Exchange difference arising on translation of foreign operations		402	4,594
Total comprehensive income (expense) for the period, attributable to owners of the Company		10,231	(8,704)
Earnings (loss) per share	6		
Basic		2.6HK cents	(3.5)HK cents
Diluted		2.5HK cents	(3.4)HK cents

Condensed Consolidated Statement of Financial Position

At 30th September, 2009

	Notes	30.9.2009 HK\$'000 (Unaudited)	31.3.2009 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	7	85,724	92,166
Prepaid lease payments		1,897	1,926
		<u>87,621</u>	<u>94,092</u>
Current assets			
Inventories		44,994	57,857
Trade and other receivables	8	40,177	40,679
Bills receivable		2,416	1,854
Prepaid lease payments		58	58
Held-to-maturity investments		7,800	15,600
Financial assets at fair value through profit or loss		56,973	31,361
Restricted bank deposit		–	1,896
Pledged bank deposit		4,000	4,000
Bank balances and cash		94,470	81,169
		<u>250,888</u>	<u>234,474</u>
Current liabilities			
Trade and other payables	9	22,816	21,493
Bills payable-secured		2,448	1,463
Taxation payable		3,429	3,429
Derivative financial instruments		–	2,596
		<u>28,693</u>	<u>28,981</u>
Net current assets		<u>222,195</u>	<u>205,493</u>
		<u><u>309,816</u></u>	<u><u>299,585</u></u>
Capital and reserves			
Share capital	10	38,376	38,376
Reserves		271,440	261,209
		<u>309,816</u>	<u>299,585</u>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th September, 2009

	Attributable to owners of the Company							
	Share capital	Share premium	Contributed surplus	Translation reserve	Warrant reserve	Share option reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2008	38,376	129,781	122,652	12,795	3,607	2,854	30,396	340,461
Exchange differences arising on translation of foreign operations	-	-	-	4,594	-	-	-	4,594
Loss for the period	-	-	-	-	-	-	(13,298)	(13,298)
Total comprehensive income (expense) for the period	-	-	-	4,594	-	-	(13,298)	(8,704)
Equity-settled share option arrangements	-	-	-	-	-	787	-	787
At 30th September, 2008	<u>38,376</u>	<u>129,781</u>	<u>122,652</u>	<u>17,389</u>	<u>3,607</u>	<u>3,641</u>	<u>17,098</u>	<u>332,544</u>
At 1st April, 2009	<u>38,376</u>	<u>129,781</u>	<u>122,652</u>	<u>13,741</u>	<u>1,804</u>	<u>3,641</u>	<u>(10,410)</u>	<u>299,585</u>
Exchange differences arising on translation of foreign operations	-	-	-	402	-	-	-	402
Profit for the period	-	-	-	-	-	-	9,829	9,829
Total comprehensive income for the period	-	-	-	402	-	-	9,829	10,231
Expiration of warrants	-	-	-	-	(1,804)	-	1,804	-
At 30th September, 2009	<u>38,376</u>	<u>129,781</u>	<u>122,652</u>	<u>14,143</u>	<u>-</u>	<u>3,641</u>	<u>1,223</u>	<u>309,816</u>

Condensed Consolidated Statement of Cash Flow

For the six months ended 30th September, 2009

	Six months ended	
	30.9.2009 HK\$'000 (Unaudited)	30.9.2008 HK\$'000 (Unaudited)
Net cash from operating activities	9,959	2,359
Net cash from investing activities:	3,194	226
Net cash used in financing activities:		
Other financing cash flows	–	(134)
Net increase in cash and cash equivalents	13,153	2,451
Cash and cash equivalents at beginning of the period	81,169	70,349
Effect on foreign exchange rate changes	148	2,851
Cash and cash equivalents at end of the period, representing bank balances and cash	94,470	75,651

Notes To The Condensed Consolidated Financial Statements

For the six months ended 30th September, 2009

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, 2009.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning on 1st April, 2009. The application of the new and revised HKFRSs has resulted in a change in the presentation of the condensed consolidated financial statements. The changes in presentation have been applied retrospectively. The adoption of the new and revised HKFRSs has had no material effect on the results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been required. The Group has not early applied the new and revised standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. Segment Information

As over 90% of the Group’s revenue and contribution to segment results based on location of customers for the six months ended 30th September, 2009 are derived from People’s Republic of China including Hong Kong and Macau, geographical analyses of segment revenue and results are not presented.

4. Profit (Loss) Before Taxation

	Six months ended	
	30.9.2009 HK\$'000	30.9.2008 HK\$'000
Profit (loss) for the period arrived at after charging:		
Depreciation of property, plant and equipment	7,185	7,999
Amortisation of prepaid lease payments	29	29
Impairment loss on trade and other receivables	3,488	–
and after crediting:		
Interest income from banks	296	774
Gain on disposal of property, plant and equipment	746	1,756

5. Taxation

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.

No provision for profit tax has been made as the Group had no estimated assessable profit for the periods.

6. Earnings (Loss) Per Share

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

	Six months ended	
	30.9.2009 HK\$'000	30.9.2008 HK\$'000
Profit (loss) for the period, attributable to owners of the Company	<u>9,829</u>	<u>(13,298)</u>
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic earnings (loss) per share	<u>383,763,200</u>	383,763,200
Effect to dilutive potential ordinary shares in respect of share options	<u>2,350,813</u>	<u>1,801,300</u>
Weighted average number of ordinary shares for the purposes of diluted earnings (loss) per share	<u>386,114,013</u>	<u>385,564,500</u>

7. Property, Plant and Equipment

The Group invested approximately HK\$489,000 in acquiring property, plant and equipment during the period under review.

8. 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\$37,115,000 (31st March, 2009: HK\$32,310,000). The following is an aged analysis of trade receivables at the balance sheet date:

	30.9.2009 HK\$'000	31.3.2009 HK\$'000
0 – 60 days	26,054	22,494
61 – 90 days	8,725	3,491
91 – 120 days	1,136	1,035
Over 120 days	<u>1,200</u>	<u>5,290</u>
	<u>37,115</u>	<u>32,310</u>

9. Trade and Other Payables

Included in trade and other payables of the Group are trade payables of approximately HK\$11,403,000 (31st March, 2009: HK\$13,064,000). The following is an aged analysis of trade payables at the balance sheet date:

	30.9.2009 HK\$'000	31.3.2009 HK\$'000
0 – 60 days	8,684	9,820
61 – 90 days	1,610	1,247
Over 90 days	1,109	1,997
	<u>11,403</u>	<u>13,064</u>

10. Share Capital

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 31st March, 2009 and 30th September, 2009	<u>5,000,000,000</u>	<u>500,000</u>
Issued and fully paid:		
At 31st March, 2009 and 30th September, 2009	<u>383,763,200</u>	<u>38,376</u>

On 16th July, 2007, the Company had entered into two agreements with Emperor Securities Limited, pursuant to which, the Company would issue 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. Upon the issuance of warrants, HK\$3,800,000 was credited to warrant reserve.

On 1st February, 2009, 19,000,000 warrants were expired with an amount of HK\$1,803,000 transferred to accumulated profits (losses).

On 1st August, 2009, 19,000,000 warrants were expired with an amount of HK\$1,804,000 transferred to accumulated profits (losses).

11. Pledge of Assets

As at 30 September, 2009, bank deposit of HK\$4,000,000 (31st March, 2009: HK\$4,000,000) was pledged to bank as security for general banking facilities granted to the Group.

12. Capital Commitments

The Group had no material capital commitment as at 30th September, 2009 and 2008.

13. Post Balance Sheet Event

On 17th November, 2009, the Group has entered into two acquisition agreements pursuant to which the Group conditionally agreed to purchase a coal mining company and a shipping company from independent parties. The acquisitions would enable the Group to broaden its source of income by diversifying its business to include mining of mineral resources and vessel-chartering business, and acquire expertise in operating the coal mining business and vessel business. The Company therefore believes that the acquisitions would offer the Group a good opportunity to diversify into businesses with good prospect, to enhance the Group's income stream and the overall profitability, and to maintain the Group's growth momentum. The details of these acquisitions were disclosed on the announcement dated 27th November, 2009, and the circular containing further information regarding these acquisitions as required by listing rules will be dispatched to the shareholders of the Company on or before 25th February 2010.

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, 2009, the world economic conditions had worsened which led to an adverse impact to the Group's business. As a result, the Group recorded a turnover of approximately HK\$92,480,000 representing a decrease of 34.6% as compared to same period last year, and gross profit was approximately HK\$7,617,000 representing a decrease of 33.7% as compared to the same period last year. Moreover, an impairment loss on trade and other receivables of approximately HK\$3,488,000 had also been made and included in the administrative expenses after prudent consideration by the Board. However, the Group recorded a favourable valuation adjustment of approximately HK\$19,335,000 on the fair value changes on the financial instruments because of the recovery of the worldwide financial market. Consequently, the Group recorded a net profit of approximately HK\$9,829,000 for the period.

During the period, manufacturing and sales of the knitted fabric and dyed yarns, and provision of dyeing services are the principal operations of the Group. Production costs have increased because of rise in price of dyed material, coal and electricity, and salary and wages in China. The impact of production cost increase was reduced by the stringent cost control measures which had delivered a positive impact to the Group. As a result, the Group's gross margin was remained at the almost same level of approximately 8.2%.

During the period, 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 invested approximately HK\$489,000 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.

PROSPECTS

Looking forward, the high production costs resulting from the price increase in dyed material, salary and wages in China is likely to 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.

On 17th November, 2009, the Group has entered into two acquisition agreements pursuant to which the Group conditionally agreed to purchase a coal mining company and a shipping company from independent parties. The acquisitions would enable the Group to broaden its source of income by diversifying its business to include mining of mineral resources and vessel-chartering business, and to acquire expertise in operating the coal mining business and vessel business. The Company therefore believes that the acquisitions would offer the Group a good opportunity to diversify into businesses with good prospect, to enhance the Group's income stream and the overall profitability, and to maintain the Group's growth momentum. The details of these acquisitions were disclosed on the announcement dated 27th November, 2009, and the circular containing further information regarding these acquisitions as required by listing rules will be dispatched to the shareholders of the Company on or before 25th February 2010.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th September, 2009, the Group's shareholders' equity amounted to HK\$309,816,000, while total bank indebtedness amounted to approximately HK\$2,448,000 and cash on hand amounted to approximately HK\$98,470,000. The Group's bank indebtedness to equity ratio is only 0.008. Current ratio is 8.7. 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, 2009, the Group has financial assets of HK\$56,973,000 and high graded held-to-maturity investments of approximately HK\$7,800,000.

The Groups' assets, liabilities and business transactions are principally denominated in Hong Kong dollars, Chinese Renminbi and US dollars and therefore the Group is exposed to foreign exchange risks from U.S dollar and Chinese Renminbi. The Group manages its foreign exchange risks by performing regular review and monitoring its foreign exchange exposure. The Group will consider using forward currency contracts as a tool to manage and reduce such risks.

PLEDGE OF ASSETS

As at 30 September, 2009, bank deposit of HK\$4,000,000 was pledged to bank as security for general banking facilities granted to the Group.

STAFF AND REMUNERATION POLICIES

As at 30th September, 2009, the Group had approximately 630 employees. The Group mainly determines staff remuneration in accordance with market terms and individual qualifications.

The emoluments of the directors of the Company are reviewed and recommended by the remuneration committee, and 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.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES

At 30th September, 2009, the interests of the directors, the chief executive and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long position

Name of director	Number of ordinary shares other interests (note)	Interest in underlying shares pursuant to share option	Aggregated interest	Percentage of the issued share capital of the Company
Ms. Li Mei Lin	175,928,000	3,100,000	179,028,000	46.65%
Mr. Li Man Shun	175,928,000	2,380,000	178,308,000	46.46%
Mr. Li Man Ching	–	3,830,000	3,830,000	1.0%
Mr. Fung Chi Ki	–	1,933,200	1,933,200	0.5%

Note: Ms. Li Mei Lin and Mr. Li Man Shun beneficially own 30,600 shares and 29,700 shares, respectively, in Rayten Limited, representing, 34% and 33%, respectively, of the issued share capital of Rayten Limited, which in turn owns 175,928,000 shares of HK\$0.10 each in the Company.

SHARE OPTION SCHEME

The following table discloses movements in the Company's share option scheme during the period:

Category	Date of Grant	Exercisable period	Exercise Price per share HK\$	Number of share options		
				At 1.4.2009	Granted	At 30.9.2009
1. Directors						
Mr. Li Man Ching	26.7.2007	26.7.2007 to 25.7.2010	1.04	3,830,000	-	3,830,000
Ms. Li Mei Lin	17.9.2007	17.9.2007 to 16.9.2010	0.77	3,100,000	-	3,100,000
Mr. Li Man Shun	26.7.2007	26.7.2007 to 25.7.2010	1.04	2,380,000	-	2,380,000
Mr. Fung Chi Ki	2.11.2002	2.11.2002 to 1.11.2012	0.51	1,933,200	-	1,933,200
				<u>11,243,200</u>	<u>-</u>	<u>11,243,200</u>
2. Employees in aggregate						
	2.11.2002	2.11.2002 to 1.11.2012	0.51	11,599,200	-	11,599,200
	2.4.2008	2.4.2008 to 31.3.2011	0.77	3,100,000	-	3,100,000
				<u>14,699,200</u>	<u>-</u>	<u>14,699,200</u>
				<u>25,942,400</u>	<u>-</u>	<u>25,942,400</u>

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in respect of certain directors, the register of substantial shareholders maintained by the Company pursuant to section 336 of SFO discloses no person as having a notifiable interests or short positions in the issued capital of the Company as at 30th September, 2009.

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

During the six months ended 30th September, 2009, 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 for the six month ended 30th September, 2009 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").

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 are 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.

By Order of the Board

Li Man Ching

Chairman

Hong Kong, 23rd December, 2009