



## Kwong Hing International Holdings (Bermuda) Limited

*(Incorporated in Bermuda with limited liability)*

### FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST MARCH, 2003

The Board of Directors (the “Board”) of Kwong Hing International Holdings (Bermuda) Limited (the “Company”) are pleased to announce the audited annual results of the Company and its subsidiaries (the “Group”) for the year ended 31st March, 2003 together with comparative figures for the year ended 31st March, 2002 as follows:

	<i>Notes</i>	<b>2003</b> <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Turnover	1	<b>353,326</b>	336,032
Cost of sales		<b>(300,713)</b>	(311,591)
Gross profit		<b>52,613</b>	24,441
Other operating income		<b>4,108</b>	1,147
Selling expenses		<b>(11,494)</b>	(7,360)
Administrative expenses		<b>(21,181)</b>	(22,368)
Recovery of bad and doubtful debts		–	2,081
Realised and unrealised holding (loss) gain on trading securities		<b>(867)</b>	346
Profit (loss) from operations		<b>23,179</b>	(1,713)
Finance costs		–	(34)
Share of loss of an associate		–	(19,997)
Profit (loss) before taxation		<b>23,179</b>	(21,744)
Taxation	2	<b>999</b>	(1,441)
Net profit (loss) for the year		<b>22,180</b>	(20,303)
Dividends	3	<b>17,399</b>	–
Earning (loss) per share	4		
Basic		<b>5.7 cents</b>	(10.9) cents
Diluted		<b>5.7 cents</b>	N/A

## Notes:

**1. SEGMENTAL INFORMATION**

Sales of knitted fabrics and dyed yarns account for more than 90% of the Group's turnover for the years ended 31st March, 2003 and 2002, substantially all of which are made to customers based in Hong Kong and all of the manufacturing operations of the Group are located in the People's Republic of China, other than Hong Kong. Accordingly, no analysis for the segment information are provided.

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
The turnover comprises:		
Sale of goods	352,663	330,609
Subcontracting fee income	663	5,423
	<u>353,326</u>	<u>336,032</u>

**2. TAXATION**

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
The taxation (credit) charge comprises:		
Hong Kong Profits Tax	(123)	7
Overseas taxation	353	212
	<u>230</u>	<u>219</u>
Deferred taxation		
Current year	769	(1,660)
	<u>999</u>	<u>(1,441)</u>

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profit for both years. Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

**3. Dividend**

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Interim dividend paid of HK1.2 cents, after adjustment of the effect of share consolidation (2002: nil) per share	4,640	—
Proposed final dividend of HK1.3 cents (2002:nil) per share	5,026	—
Proposed special dividend of HK2.0 cents (2002: nil) per share	7,733	—
	<u>17,399</u>	<u>—</u>

The final dividend of HK1.3 cents per share and special dividend of HK2.0 cents per share have been proposed by the directors and is subjected to approval by shareholders in the forthcoming annual general meeting, and therefore these dividends are not yet provided in the financial statements.

**4. EARNING (LOSS) PER SHARE**

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

	<b>2003</b> <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Net profit (loss) for the year	<u><b>22,180</b></u>	<u>(20,303)</u>
Weighted average number of ordinary shares for the purposes of basic earning (loss) per share	<b>386,640,000</b>	186,258,082
Effect of dilutive potential ordinary shares in respect of share options	<u><b>2,677,243</b></u>	—
Weighted average number of ordinary shares for the purposes of diluted earning per share	<u><b>389,317,243</b></u>	<u>186,258,082</u>

The weighted average number of ordinary shares for the basic and diluted earnings (loss) per share has been adjusted for the effect of the consolidation of every 10 shares of then HK\$0.01 each into 1 share of HK\$0.10 each effected on 19th March, 2003.

**RESULTS**

The Group recorded a solid achievement in its financial results for the year under review. We reported a return to profit for the interim period, and building on this, in the subsequent six months, the Group achieved a better result for the whole year.

For the year ended 31st March, 2003, turnover was approximately HK\$353,326,000 which represents an increase of approximately 5% compared to that of last year. The Group returned to a profit of approximately HK\$22,180,000 from a loss of approximately HK\$20,303,000 last year.

**DIVIDEND**

The Directors recommend the payment of a final dividend of HK1.3 cents per share and a special dividend of HK2 cents per share for the year ended 31st March, 2003, payable to shareholders on 29th August, 2003 to the shareholders whose name appear on the register of the members of the Company on 26th August, 2003.

**BUSINESS REVIEW**

Sales of knitted fabrics and dyed yarns account for more than 90% of the Group's turnover for the year ended 31st March, 2003, substantially all of which are were produced for customers based in Hong Kong. All of the manufacturing operation of the Group are located in the People's Republic of China.

For the year ended 31st March, 2003, despite the difficult business environment resulted from extreme competition, the Group achieved a turnover of approximately HK\$353,326,000 and gross profit of approximately HK\$52,613,000 representing 5% and 115% increase respectively compared to last year. The improvement was mainly attributed to the expansion of Group's diversified production capacity which enables the Group to provide better services as well as high quality products to its customers. The Group has commenced its coal-fired facilities during the year and also significantly increased raw material sourcing in PRC. Together with these measures, the Group's continual efforts in controlling its production costs and overhead expenses have led to its gross margin improvement from 7.3% to 14.9% despite price reduction of the Group's products due to severe competition in the market. As a result, gross profit and the net profit were approximately HK\$52,613,000 and approximately HK\$22,180,000 respectively representing significant improvement from last year.

During the year under review, through careful evaluation and analysis of the Group's production requirements, the Group has expanded and diversified its production capacity, the Group invested approximately HK\$34 million in fixed asset, which included approximately HK\$32 million in production facilities. The expansion of production facilities was in progress and was expected to be completed in August 2003, after the completion, the Group's production capacity will be substantially increased by approximately 50%.

During the year, management has focused on controlling its operation cost and satisfactory results have been achieved. Under the extreme competitive environment, the Group managed to maintain its production cost and overhead expenses at its normal level, proofing the success of the Group's effective cost control management and its competitiveness in the industry. Moreover, the Group continued its prudent and conservative credit policy and effective inventory management. The above policy and major internal control measures enable the Group to maintain a healthy financial position and cash level.

During the year, the net proceeds of the right issue on 5th March, 2002 have been applied in accordance with the intended usages as announced.

## **PROSPECTS**

Throughout the year, the Group's experienced management has built a solid financial position and operation for the Company, The Group will continue to strive for further development of its core business in the existing market and also expand into the Asian and PRC markets. The Group will continue to expand its production facilities so as to improve its competitive advantage with better economy of scale and to cope with increasing demands of Group's products and services. The Directors believe that long term benefit of expansion in its production facility are crucial to the Group's future operation and profitability.

Looking forward, apart from existing business, the Group will also explore business opportunities revolving its core business by way of vertical integration along the supply chain.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31st March, 2003, the Group's shareholders' equity amounted to approximately HK\$379,798,000, while total bank indebtedness amounted to approximately HK\$23,850,000, and net cash on hand amounted to approximately HK\$51,298,000. Current ratio is 4.6. 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 its core business development opportunities.

As at 31st March, 2003, the Group has short-term investments of approximately HK\$40 million in equity and quality high graded debt securities investments.

## **STAFF AND REMUNERATION POLICIES**

As at 31st March, 2003, the Group had approximately 1,350 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 participants, with a view to provide incentive to the option holders to participate and contribute the growth of the Group.

## **PLEDGE OF ASSETS**

At the balance sheet date, certain of the Group's leasehold land and buildings with an aggregate net book value of approximately HK\$2,495,000 (2002: HK\$2,558,000) have been pledged to bank as security for general banking facilities granted to the Group.

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

During the year ended 31st March, 2003, 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 the year ended 31st March, 2003 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.

**PUBLICATION OF ANNUAL RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED**

Information required by paragraphs 45 (1) to 45 (3) inclusive of Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited will be published on the website of The Stock Exchange of Hong Kong Limited in due course.

By Order of the Board  
**Li Man Ching**  
*Chairman*

Hong Kong, 18th July, 2003

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of shareholders of Kwong Hing International Holdings (Bermuda) Limited will be held at Level 2, Ballroom B, Great Eagle Hotel, 8 Peking Road, Tsimshatsui, Kowloon, Hong Kong on Thursday, 28th August, 2003 at 3:00 p.m. for the following purposes:

1. To receive and adopt the audited financial statements and the reports of Directors and Auditors for the year ended 31st March, 2003;
2. To re-elect Directors and authorize the Board of Directors to fix the Directors' remuneration;
3. To re-appoint Auditors and authorize the Board of Directors to fix their remuneration;
4. As special business, to consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions:

A. **"THAT:**

- (a) subject to paragraph (c) of this Resolution, the exercise by the Directors of the Company during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which would or might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this Resolution shall authorize the Directors of the Company during the Relevant Period (as defined below) to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period (as defined below);
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a) of this Resolution otherwise than pursuant to (i) a Rights Issue (as defined below); or (ii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Bye-laws of the Company, or (iii) the exercise of rights of conversion or subscription under the terms of any securities

which are convertible into shares of the Company or the share option scheme or similar arrangement of the Company for the time being adopted for the grant or issue to directors and/or employees of the Company and/or any its subsidiaries of shares or rights to acquire shares of the Company, shall not exceed the aggregate of: (aa) 20 percent of the aggregate nominal amount of the issued share capital of the Company in issue at the date of passing of this Resolution and (bb) if the Directors of the Company are so authorized by a separate ordinary resolution of the shareholders of the Company, the nominal amount of share capital of the Company purchased by the Company subsequent to the passing of this Resolution up to a maximum equivalent to 10 percent of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution and the said approval shall be limited accordingly; and

(d) for the purposes of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required to be held by Bermuda law or the Company’s Bye-laws to be held; and
- (iii) the revocation or variation of the approval given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

“Rights Issue” means an offer of shares open for a period fixed by the Directors of the Company to holders of shares on the register of members on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws, or the requirements of any recognized regulatory body or any stock exchange in any territory outside Hong Kong).”

B. **“THAT:**

- (a) Subject to paragraph (b) of this Resolution, the exercise by the Directors of the Company during the Relevant Period (as defined below) of all the powers of the Company to purchase shares in the capital of the Company be and is hereby generally and unconditionally approved;
- (b) The aggregate nominal amount of the shares of the Company which the Company is authorized to purchase pursuant to the approval in paragraph (a) of this Resolution shall not exceed 10 per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this Resolution, and the said approval shall be limited accordingly; and
- (c) for the purposes of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required to be held by Bermuda law or the Company’s Bye-laws to be held; and
- (iii) the revocation or variation of the approval given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.”

- C. **“THAT** conditional upon the passing of Resolution no. 4B set out in the notice of this Meeting, the aggregate nominal amount of shares which are purchased by the Company pursuant to and in accordance with the said Resolution no. 4B shall be added to the aggregate nominal amount of the shares of the Company that may be allotted, issued or dealt with or agreed conditionally or unconditionally to be allotted, issued or dealt with by the Directors of the Company pursuant to and in accordance with Resolution no. 4A set out in the notice of this Meeting.”

By Order of the Board  
**Fung Chi Ki**  
*Company Secretary*

Hong Kong, 18th July, 2003

*Notes:*

- (1) A member entitled to attend and vote at this Meeting is entitled to appoint a proxy or proxies to attend and vote instead of him. A proxy need not be a member of the Company.
- (2) To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notorially certified copy of that power of attorney or authority must be deposited with the Company's head office and principal place of business in Hong Kong at Units C-D, 8th Floor, Mai Shun Industrial Building, 18-24 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong, not less than 48 hours before the time appointed for holding this Meeting or adjourned meeting (as the case may be).
- (3) The Register of Members will be closed from Monday, 25th August, 2003 to Thursday, 28th August, 2003 (both dates inclusive) during which period no transfer of shares can be registered. 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 G/F, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Friday, 22nd August, 2003.
- (4) In respect of Resolution 4A, the Directors of the Company have no immediate plans to issue any new shares. In accordance with the terms of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong, the general mandate lapses unless it is renewed at each Annual General Meeting.
- (5) An explanatory statement containing further details as regarding Resolutions 4A to 4C will be despatched to the shareholders shortly together with the annual report.

Please also refer to the published version of this announcement in China Daily dated on 21-07-2003.