



Kwong Hing International Holdings (Bermuda) Limited
(Incorporated in Bermuda with limited liability)
(Stock Code: 1131)

**FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED
31ST MARCH, 2005**

The board of directors (the “Board”) of Kwong Hing International Holdings (Bermuda) Limited (the “Company”) announce the audited annual results of the Company and its subsidiaries (the “Group”) for the year ended 31st March, 2005 together with comparative figures for the year ended 31st March, 2004 as follows:

	<i>NOTES</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Turnover	2	528,537	540,167
Cost of sales		(473,949)	(465,805)
Gross profit		54,588	74,362
Other operating income		713	4,659
Selling expenses		(13,826)	(15,707)
Administrative and other operating expenses		(37,280)	(27,937)
Profit from operations		4,195	35,377
Finance costs		(641)	(219)
Profit before taxation		3,554	35,158
Income tax expense	3	(551)	(1,621)
Profit after taxation		3,003	33,537
Minority interests		(1,703)	92
Net profit for the year		1,300	33,629
Dividends	4	–	9,714
Earnings per share	5		
Basic		0.3 cents	8.7 cents
Diluted		N/A	8.4 cents

Notes:

1. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (“HKFRSs”) (hereinafter collectively referred to as “new HKFRSs”) which are effective for accounting periods beginning on or after 1st January, 2005 except for HKFRS 3 Business Combination. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st March, 2005.

HKFRS 3 is applicable to business combination for which the agreement date is on or after 1st January, 2005. The Group has not entered into any business combination for which the agreement date is on or after 1st January, 2005. Therefore, HKFRS 3 did not have any impact on the Group for the year ended 31st March, 2005.

The Group has already commenced an assessment of the impact of the new HKFRSs and identified that the following HKFRSs may have a material effect on how the results of operations and financial positions are prepared and presented as described below:

HKFRS 2 “Share-based Payment”

HKFRS 2 requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares, or in exchange for other assets equivalent in value to a given number of shares or rights over shares. The principal impact of HKFRS 2 on the Group is in relation to the expensing of directors’ and employees’ share options of the Company. Currently, the Group does not expense the share options issued by the Company.

The Group intends to take advantage of the transitional provisions set out in HKFRS 2. In relation to share options granted on or before 7th November 2002 and share options granted after 7th November 2002 and vested before 1st April 2005, the Group does not intend to recognise and expense those share options. However, in relation to share options granted after 7th November 2002 and vested on or after 1st January, 2005, such share options should be accounted for retrospectively in accordance with HKFRS 2. However, the Group is not yet in a position to determine its impact on its results of operation and financial position.

In relation to other new HKFRSs, the Group does not expect that the adoption of the other new HKFRSs will have a material effect on how the results of operations and financial position of the Group are prepared and presented.

2. SEGMENTAL INFORMATION

Business segment

For management purpose, the Group is currently organised into two business activities: (i) manufacture and sale of knitted fabric and dyed yarns; and (ii) manufacturing and trading of garment products. These activities are the basis on which the Group reports its primary segment information.

Segment information about these activities is presented below:

For the year ended 31st March, 2005

	Manufacture and sale of knitted fabric and dyed yarns <i>HK\$'000</i>	Manufacturing and trading of garment products <i>HK\$'000</i>	Eliminated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER				
External sales	435,001	93,536	–	528,537
Inter-segment sale	18,821	–	(18,821)	–
Total turnover	<u>453,822</u>	<u>93,536</u>	<u>(18,821)</u>	<u>528,537</u>
RESULTS				
Segment results	5,975	1,663		7,638
Other operating income				713
Amortisation of goodwill	–	(1,213)		(1,213)
Impairment loss recognised in respect of goodwill	–	(1,870)		(1,870)
Unallocated corporate expenses				(1,073)
Profit from operations				4,195
Finance costs				(641)
Profit before taxation				3,554
Income tax expense				(551)
Profit after taxation				3,003
Minority interests				(1,703)
Net profit for the year				<u>1,300</u>

* Inter-segment sales were charged at terms determined and agreed between the group companies.

For the year ended 31st March, 2004

	Manufacture and sale of knitted fabric and dyed yarns <i>HK\$'000</i>	Trading of garment products <i>HK\$'000</i>	Eliminated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER				
External sales	412,439	127,728	–	540,167
Inter-segment sale	3,329	–	(3,329)	–
Total turnover	<u>415,768</u>	<u>127,728</u>	<u>(3,329)</u>	<u>540,167</u>
RESULTS				
Segment results	34,527	(2,019)		32,508
Other operating income				4,659
Amortisation of goodwill	–	(1,039)		(1,039)
Unallocated corporate expenses				(751)
Profit from operations				35,377
Finance costs				(219)
Profit before taxation				35,158
Income tax expense				(1,621)
Profit after taxation				33,537
Minority interests				92
Net profit for the year				<u>33,629</u>

* Inter-segment sales were charged at terms determined and agreed between the group companies.

Geographical segments

An analysis of the Group's turnover by geographical market, irrespective of the origin of the goods and services, is presented below:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
United States of America	120,783	127,728
The People's Republic of China (the "PRC") including Hong Kong	<u>407,754</u>	412,439
	<u>528,537</u>	<u>540,167</u>

3. INCOME TAX EXPENSE

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax:		
Current year	320	1,578
Other jurisdictions	223	511
	<u>543</u>	<u>2,089</u>
Deferred taxation		
Current year	8	(468)
	<u>551</u>	<u>1,621</u>

Hong Kong Profits Tax is calculated at 17.5% of the estimated profit for both years. Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

4. DIVIDENDS

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
2004 Interim, paid – HK1.2 cents per share	<u>–</u>	<u>9,714</u>

No dividend was paid or proposed for the year ended 31st March, 2005, nor has any dividend been proposed since the balance sheet date.

5. EARNINGS PER SHARE

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

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Net profit for the year	<u>1,300</u>	<u>33,629</u>
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic earnings per share	388,573,200	387,870,698
Effect of dilutive potential ordinary shares in respect of share options	<u>N/A</u>	<u>11,073,101</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>N/A</u>	<u>398,943,799</u>

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options for the year ended 31st March, 2005 because (i) the average market price of the shares of the Company cannot be determined as the shares of the Company were suspended from trading on the Stock Exchange from 26th February, 2004 to 19th October, 2004 and (ii) the exercise price of those options is higher than the average market price for shares.

RESULTS

For the year ended 31st March, the Group recorded a turnover of approximately HK\$528,537,000 representing a slight decrease 2.2% compared to that of last year, and gross profit and net profit are approximately HK\$54,588,000 and approximately HK\$1,300,000 respectively, which represented decrease of approximately 26% and approximately 96% respectively compared to that of last year. Decrease in turnover is attributable to the disposal of Sweetime Limited and its subsidiary which had a turnover contribution of approximately HK\$69,565,000 to the Group this year and had a turnover contribution of approximately HK\$125,928,000 to the Group last year. Taking out this factor, the Group's turnover increased by 10.8%. However, owing to the increase of raw material prices, particularly the cotton yarn price and other production costs, and also increased competition resulted in lower product prices, the Group's gross margin was decreased, despite various effective cost control measures, from 13.8% to 10.3%. As a result, the Group's net profit was only approximately HK\$1,300,000 for the year.

DIVIDEND

The directors do not recommend the payment of dividend for the year ended 31st March, 2005.

BUSINESS REVIEW

The abolishment of quota among the members of WTO since the beginning of 2005 has induced a bright business outlook for the China textile industry, and has also induced a series of actions in US for the application of re-instate of the quota for certain China textile products, which brought a lot of disputes between US government and Chinese Government. Such uncertainties had delayed the order placement of our ultimate customers, which affected the Group's performance in the second half of this financial year, as US provide a major market to the Group's customers. During the second half of this financial year, the Group has re-structured its sales forces for market re-positioning, which gave a short-term adverse impact to the Group's performance, but the directors believed that long-term benefits will be realized from this change in the future.

Manufacture and sales of knitted fabric and dyed yarns remains the principal operation of the Group, its turnover including inter-segment sales has recorded approximately 9.2% growth over the last year. However, the production costs increased sharply because of the increase of the price of the cotton yarn, dyed material and coal, salary and wages in China, which resulted in reduction of operating margin to only approximately 1.3%. The Group commenced its investments in garment manufacturing in October 2004, and the garment manufacturing has commenced operation in January 2005. Manufacturing and sales of garment has recorded a turnover of approximately HK\$93,536,000 with a operating margin of approximately 1.8% after the absorption of cost for establishment of the operation.

During the year, management focused on controlling its operating cost and enhancing its competitive position. Under the extreme competitive environment, the Group managed to control its other production cost and overhead expenses at competitive level. The Group had also continued its prudent and conservative customers' credit policy and monitored closely its inventory level as well as production requirements. These measures also enable the Group to maintain a healthy cash level.

In October 2004, the Group disposed its entire interest in Sweettime Limited (“Sweettime”) and shareholder’s loan of approximately HK\$5,797,000 for a cash consideration of HK\$5,800,000. Sweettime is an investment holding company which has 70% interest in South Season Industrial Company Limited. Details of the disposal were set out in the circular to the shareholders of the Company dated 19th November, 2004.

During the year, the Group invested approximately HK\$17,453,000 in property, plant and equipment to upgrade its factory and production facilities as to increase its productivity and to enhance its production quality. Together with the capital investments in previous years, the Group is able to satisfy the increasing demands of its product at better economies of scales.

Trading in the shares of the Company was suspended at the direction of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) till 19th October, 2004 due to a director, whom subsequently resigned from the Board, suspected of conspiracy to offer advantage to an agent and to cause such agent to purchase and hold Company’s shares (“Incidence”), detail of which refer to Company’s announcement dated 18th October, 2004. The Incidence did not bring about any material adverse effects on the Company’s operations or financial positions, nor the Incidence would bring about any change in directions and focus of the Company. The Company is committed to its mission to further develop its business in view of the vast market opportunity lying ahead and to create profits and shareholders value for our shareholders.

PROSPECTS

Looking forward, the demand of the Group’s product is expected to increase because of the continual strengthening of the US economy, the certainties of the quota dispute between China and US and the decrease and stabilization of the cotton price. However, the above other unfavourable factors will continuously affect the Group’s performance. The Group will continuously upgrade its factory and production facilities so as to increase its productivity and to enhance its product quality to cope with these changes. The directors believe that long term benefit derive from expansion of production facilities to cater for increasing demands and to enjoy the benefit of economy of scales are crucial to the Group’s profitability. The Group will also continuously pursue its cautionary credit policy for its customers and continuously improve its product quality, cost and inventory control measures.

In market front, the Group will strive to expand into the Asian and the PRC markets so as to expand the Group’s customers base and to reduce the reliance on the US markets

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st March, 2005, the Group’s shareholders’ equity amounted to HK\$393,175,000, while total bank indebtedness amounted to approximately HK\$15,932,000, and cash on hand amount to approximately HK\$42,132,000. The Group’s bank indebtedness to equity ratio is only 0.04. Current ratio is 4.4. 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 31st March, 2005, the Group hold a long-term high graded securities investments of approximately HK\$15,600,000 including HK\$7,800,000 of which has been pledged to a bank as security for general banking facilities granted to the Group.

As at 31st March, 2005, the Group’s contingent liabilities in relation to bills discounted with recourse were HK\$4,281,000.

The Groups' assets and liabilities were principally denominated in Hong Kong dollars, Chinese Renminbi and US dollars, the exchange rate between them are relative stable, and therefore the Group's exposure to currency exchange risk was minimal.

STAFF AND REMUNERATION POLICIES

As at 31st March, 2005, the Group had approximately 1,560 employees. The Group mainly determines staff remuneration in accordance with market terms and individual qualifications.

The emoluments of the directors of the Company are 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.

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\$2,371,000, investment in security of approximately HK\$7,800,000 and bank deposit of HK\$4,000,000 were pledged to banks 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, 2005, 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, 2005 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules on the Stock Exchange.

The Company has adopted the Model 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 received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of its independent non-executive directors are independent.

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 will be published on the website of the Stock Exchange in due course.

By Order of the Board
Li Man Ching
Chairman

Hong Kong, 26th July, 2005

The following are Directors as at the date of this Announcement:

Executive Directors

Li Man Ching (*Chairman*)

Li Mei Lin (*Deputy-Chairman*)

Li Man Shun

Fung Chi Ki

Independent Non-executive Directors

Tsui Wai Yin

Lau Chung Man, Louis

So Kin Wah

Please also refer to the published version of this announcement in International Herald Tribune.