



# KWONG HING INTERNATIONAL HOLDINGS (BERMUDA) LIMITED

廣興國際控股有限公司

(Incorporated in Bermuda with limited liability)

(stock code: 1131)

## RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2008

### RESULTS

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, 2008 (which have been reviewed by the audit committee of the Company) with comparative figures for the year ended 31st March, 2007.

### CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008

	NOTES	2008 HK\$'000	2007 HK\$'000
<b>Continuing operation</b>			
Revenue	2	287,765	319,624
Cost of sales		(270,151)	(310,833)
Gross profit		17,614	8,791
Other income		4,417	2,821
Distribution and selling expenses		(6,474)	(7,009)
Administrative expenses		(44,347)	(23,508)
Fair value changes on financial instruments at fair value through profit or loss		(8,684)	1,573
Finance costs		(72)	(276)
Loss before taxation		(37,546)	(17,608)
Income tax credit	3	-	1,963
Loss for the year from continuing operation		(37,546)	(15,645)
<b>Discontinued operation</b>			
Loss for the year from discontinued operation		-	(5,911)
Loss for the year	4	(37,546)	(21,556)
<b>Loss per share</b>			
From continuing and discontinued operations: - Basic	5	9.8 HK cents	5.6 HK cents
From continuing operation: - Basic		9.8 HK cents	4.1 HK cents

CONSOLIDATED BALANCE SHEET  
AT 31ST MARCH, 2008

	NOTES	2008 HK\$'000	2007 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		100,669	107,819
Prepaid lease payments		1,984	2,042
Held-to-maturity investments		15,600	15,600
		118,253	125,461
<b>Current assets</b>			
Inventories		102,898	108,208
Trade and other receivables	6	36,469	48,986
Bills receivable		448	2,405
Prepaid lease payments		58	58
Financial assets at fair value through profit or loss		39,595	5,167
Derivative financial instruments		3,131	1,203
Pledged bank deposit		4,000	4,000
Bank balances and cash		70,349	104,239
		256,948	274,266
<b>Current liabilities</b>			
Trade and other payables	7	25,660	30,360
Bills payable - secured		1,728	1,989
Taxation payable		2,794	3,464
Obligations under finance leases			
- due within one year		134	2,336
Derivative financial instruments		4,424	475
		34,740	38,624
Net current assets		222,208	235,642
Total assets less current liabilities		340,461	361,103
<b>Non-current liability</b>			
Obligations under finance leases - due after one year		-	134
		340,461	360,969
<b>Capital and reserves</b>			
Share capital		38,376	38,376
Reserves		302,085	322,593
		340,461	360,969

## Notes

### 1. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new standard, amendment and interpretations (the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are either effective for the Group's financial year beginning on 1st April, 2007. The adoption of these new HKFRSs had no material effect on how the results and financial position for the current or prior accounting years have been prepared and presented.

### 2. REVENUE

Revenue represents the aggregate of net amounts received and receivable for goods sold, less returns and allowances to outside customers during the year, for both continuing and discontinued operations, and is analysed as follows:

	Continuing operation		Discontinued operation		Total	
	2008	2007	2008	2007	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Manufacture and sale of knitted fabric and dyed yarns	287,765	319,624	-	-	287,765	319,624
Manufacture and sale of garment products	-	-	-	4,712	-	4,712
	<u>287,765</u>	<u>319,624</u>	<u>-</u>	<u>4,712</u>	<u>287,765</u>	<u>324,336</u>
	=====	=====	=====	=====	=====	=====

### SEGMENT INFORMATION

#### Geographical Segment

As over 90% of the Group's revenue and contribution to segment results based on location of customers for the year ended 31st March, 2008 and 2007 are derived from Hong Kong, geographical analyses of segment revenue and results are not presented. Other geographical locations include Mainland China and United States of America.

Revenue from the Group's discontinued garment operation amounting to HK\$4,712,000 during the year ended 31st March, 2007 was derived principally from the PRC.

Business segment

*CONSOLIDATED INCOME STATEMENT*

For the year ended 31st March, 2008

	Continuing <u>operation</u> Manufacture and sale of knitted fabric and dyed yarns HK\$'000	Discontinued <u>operation</u> Manufacture and sale of garment products HK\$'000	Consolidated HK\$'000
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REVENUE			
External sales	287,765	-	287,765
	<hr/>	<hr/>	<hr/>
RESULTS			
Segment results	(22,102)	-	(22,102)
	<hr/>	<hr/>	<hr/>
Other income	4,417	-	4,417
Unallocated corporate expenses	(19,789)	-	(19,789)
Finance costs	(72)	-	(72)
	<hr/>	<hr/>	<hr/>
Loss before taxation	(37,546)	-	(37,546)
Income tax	-	-	-
	<hr/>	<hr/>	<hr/>
Loss for the year	(37,546)	-	(37,546)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

*CONSOLIDATED INCOME STATEMENT*

For the year ended 31st March, 2007

	Continuing operation Manufacture and sale of knitted fabric and dyed yarns HK\$'000	Discontinued operation Manufacture and sale of garment products HK\$'000	Eliminated HK\$'000	Consolidated HK\$'000
<b>REVENUE</b>				
External sales	319,624	4,712	-	324,336
Inter-segment sales	676	-	(676)	-
	<u>320,300</u>	<u>4,712</u>	<u>(676)</u>	<u>324,336</u>
<b>RESULTS</b>				
Segment results	(17,275)	(3,699)		(20,974)
Other income	2,821	532		3,353
Unallocated corporate expenses	(2,878)	(2,744)		(5,622)
Finance costs	(276)	-		(276)
	<u>(17,608)</u>	<u>(5,911)</u>		<u>(23,519)</u>
Income tax credit	1,963	-		1,963
	<u>(15,645)</u>	<u>(5,911)</u>		<u>(21,556)</u>

**3. INCOME TAX CREDIT**

	2008 HK\$'000	2007 HK\$'000
<b>Continuing operation</b>		
Current tax:		
Hong Kong Profits Tax	-	(108)
(Under)overprovision in prior years:		
Hong Kong Profits Tax	-	(49)
Other jurisdictions	-	27
	<u>-</u>	<u>(130)</u>
Deferred taxation:		
Current year	-	2,093
	<u>-</u>	<u>1,963</u>
	<u>-----</u>	<u>-----</u>

Hong Kong Profits Tax was calculated at 17.5% of the estimated assessable profit. No provision for Hong Kong Profits Tax has been made for the year ended 31st March, 2008 as the Group had incurred a tax loss for that year.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdiction.

#### 4. LOSS FOR THE YEAR

	Continuing operation		Discontinued operation		Consolidated	
	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the year has been arrived at after charging:						
Staff costs, including directors' emoluments:						
- Salaries and other benefits	34,658	32,471	-	2,381	34,658	34,852
- Retirement benefits schemes contributions	986	778	-	-	986	778
- Share-based payment expenses	5,522	-	-	-	5,522	-
Total staff costs	41,166	33,249	-	2,381	41,166	35,630
Auditor's remuneration	900	912	-	-	900	912
Depreciation of property, plant and equipment	17,737	23,504	-	344	17,737	23,848
Release of prepaid lease payments	58	58	-	-	58	58
Cost of inventories recognised as an expense	270,151	308,743	-	6,143	270,151	314,886
Impairment loss on trade and other receivables	11,426	803	-	-	11,426	803
Impairment loss on inventories (included in cost of sales)	-	2,090	-	-	-	2,090
Loss on disposal of property, plant and equipment	436	106	-	2,744	436	2,850
Loss on fair value changes on investments held-for-trading	3,059	-	-	-	3,059	-
Loss on fair value changes on financial assets designated at FVTPL	3,064	-	-	-	3,604	-
Loss on fair value changes on derivative financial instruments	2,021	-	-	-	2,021	-
and after crediting:						
Interest income from banks	3,063	2,383	-	3	3,063	2,386
Interest income from held-to-maturity investments	368	311	-	-	368	311
Interest income from financial assets designated at FVTPL	143	-	-	-	143	-
Gain on fair value changes on investments held-for-trading	-	845	-	-	-	845
Gain on fair value changes on derivative financial instruments	-	728	-	-	-	728

## 5 LOSS PER SHARE

### From continuing and discontinued operations

The calculation of the basic loss per share attributable to the ordinary equity holders of the Company is based on the following data:

	2008 HK\$'000	2007 HK\$'000
Loss for the year attributable to equity holders of the Company for the purposes of basic loss per share	(37,546) =====	(21,556) =====
	'000	'000
Weighted average number of ordinary shares for the purposes of basic loss per share	383,763 =====	384,573 =====

### From continuing operation

The calculation of the basic loss per share from continuing operation attributable to the ordinary equity holders of the Company is based on the following data:

	2008 HK\$'000	2007 HK\$'000
Loss for the year attributable to equity holders of the Company	(37,546)	(21,556)
Less: Loss for the year from discontinued operation	-	5,911
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Loss for the purposes of basic loss per share from continuing operation	(37,546) =====	(15,645) =====

The denominators used are the same as those detailed above for basic loss per share from continuing and discontinued operations.

### From discontinued operation

Basic loss per share for discontinued operation is 1.5 HK cents per share for the year ended 31st March, 2007. The denominators used are the same as those detailed above for basic loss per share.

No diluted loss per share for the year ended 31st March, 2008 and 2007 has been presented because the exercise price of the Company's options and warrants was higher than the average market price per share.

## 6. 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 strengths of individual customers. In order to effectively manage the credit risks associated with trade receivables, credit evaluations of customers are performed periodically.

Included in trade and other receivables of the Group are trade receivables of HK\$33,209,000 (2007: HK\$46,340,000).

The following is an aged analysis of trade receivables at the balance sheet date:

	2008	2007
	HK\$'000	HK\$'000
0 - 60 days	15,474	30,389
61 - 90 days	10,632	7,401
91 - 120 days	5,816	1,566
Over 120 days	1,287	6,984
	<hr/>	<hr/>
	33,209	46,340
	=====	=====

## 7. TRADE AND OTHER PAYABLES

Included in trade and other payables of the Group are trade payables of HK\$15,253,000 (2007: HK\$16,913,000).

The following is an aged analysis of trade payables at the balance sheet date:

	2008	2007
	HK\$'000	HK\$'000
0 - 60 days	8,389	13,391
61 - 90 days	2,401	1,664
Over 90 days	4,463	1,858
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	15,253	16,913
	=====	=====

The average credit period on purchase of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

## **RESULTS**

For the year ended 31st March, 2008, the Group recorded a turnover of approximately HK\$287,765,000 representing a decrease 11.3% compared to that of last year, and gross profit is approximately HK\$17,614,000 which represented increase of approximately 139.3% compared to that of last year. However, the Group had recorded an unfavorable valuation adjustment of HK\$8,684,000 on the fair value changes on the financial instruments held at balance sheet date as a consequence of the downturn in worldwide financial markets. Besides, an impairment loss of HK\$11,426,000 on the trade receivables had also been made after prudent consideration by the Board. Consequently, the Group recorded a net loss of approximately HK\$37,546,000 for the year.

## **DIVIDEND**

The directors do not recommend the payment of dividend for the year ended 31st March, 2008.

## **BUSINESS REVIEW**

The economic conditions in the United States are worsening in the year under review especially in the second half of the year. Such conditions had given an unfavourable impact to the Group's business, as US provide a major market to the Group's customers. As a result, the turnover of manufacture and sales of knitted fabric and dyed yarns has dropped to approximately HK\$287,765,000 representing a decrease of 11.3% as compared to that of last year. The production costs have increased markedly because of rise in price of dyed material, coal and electricity, and salary and wages in China and the appreciation of the Renminbi against HK dollar. The impact of production cost increase was reduced by the stringent cost control measures which had delivered a positive impact to the Group, Consequently, the Group's gross margin was improved to 6.1% from 2.3% of last year. During the year, loss on fair value changes on the financial instruments was recorded and an impairment loss on the trade receivable had been made by the group under the prudent approach adopted by the Board, and fair value of the share options of approximately HK\$5,522,000, was charged to the income statement. As a result, the Group recorded a net loss of approximately HK\$37,546,000 this year.

During the year, management has focused on controlling its operating costs and enhancing its competitive advantage. Under the extreme competitive environment, 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 year, the Group invested approximately HK\$5,487,000 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 its demands of its product at better economies of scales.

## **PROSPECTS**

Looking forward, the high production costs resulting from price increase in dyed material, coal and electricity, and salary and wages in China will continue to affect the Group's performance. The board believes that the business environment in the coming 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.

In the market front, the Group will strive to expand into the Asian and the PRC markets so as to broaden the Group's customer base and to reduce reliance on the US market.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31st March, 2008, the Group's shareholders' equity amounted to HK\$340,461,000, while total indebtedness to financial institutes amounted to approximately HK\$1,862,000, and cash on hand amount to approximately HK\$74,349,000. The Group's financial institute's indebtedness to equity ratio is only 0.005. Current ratio is 7.4. 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, 2008, the Group holds a number of long-term high graded securities investments of approximately HK\$15,600,000 of which HK\$7,800,000 was pledged to a bank as security for general banking facilities granted to the Group.

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 risk from U.S. dollar and Renmibi. The Group manages its foreign exchange risks by performing regular review and monitoring its foreign exchange exposure. The Group will continue to enter into forward currency contracts to manage and reduce such risk.

## **PLEDGE OF ASSETS**

At the balance sheet date, certain of the Group's prepaid lease payments and buildings with an aggregate net book value of approximately HK\$2,183,000 (2007: HK\$2,247,000), held-to-maturity investment of approximately HK\$7,800,000 (2007: HK\$7,800,000) and bank deposit of HK\$4,000,000 (2007: HK\$4,000,000) were pledged to banks as security for general banking facilities granted to the Group.

## **STAFF AND REMUNERATION POLICIES**

As at 31st March, 2008, the Group had approximately 960 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 made 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. During the year, options to subscribe for a total of 20,710,000 shares of the Company were granted, and fair value of share options for HK\$5,522,000 was charged to the income statement.

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

None of the Company or its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31st March, 2008.

## **CORPORATE GOVERNANCE**

The Company has complied throughout the year ended 31st March, 2008 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"), except for the deviation from code provision of A.4.1, pursuant to which, non-executive directors should be appointed for a specific term and subject to re-election. Certain of the Company's independent non-executive directors are not appointed for a specific term but are subject to retirement by rotation under the Company's Bye-laws, so that every independent non-executive directors shall retire at least once every three years. The above deviation is rectified in July 2008.

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 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 AND ANNUAL REPORT**

This annual results announcement is available for viewing on the website of Hong Kong Exchanges and Clearing Limited at [www.hkex.com.hk](http://www.hkex.com.hk) under "Latest Listed Company Information" and on the website of the Company at ([kwonghing.etnet.com.hk](http://kwonghing.etnet.com.hk)). The annual report for the year ended 31 March 2008 will be dispatched to the shareholders of the Company and will be published on the above websites in due course.

By Order of the Board  
Li Man Ching  
Chairman

Hong Kong, 26<sup>th</sup> July, 2008

*As at the date of this announcement, the Board comprises Mr. Li Man Ching, Ms. Li Mei Lin, Mr. Li Man Shun and Mr. Fung Chi Ki as executive directors, and Mr. Tsui Wing Yin, Mr. So Kin Wah and Mr. Lee Pui Shing as independent non-executive directors.*