



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)

Final Results for the year ended 31st March 2007

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, 2007 (which have been reviewed by the audit committee of the Company) with comparative figures for the year ended 31st March, 2006.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31ST MARCH, 2007

	NOTES	2007 HK\$'000	2006 HK\$'000
Continuing operation			
Revenue	2	319,624	388,711
Cost of sales		(310,833)	(369,434)
Gross profit		8,791	19,277
Other income		4,394	2,976
Distribution and selling expenses		(7,009)	(10,489)
Administrative expenses		(23,508)	(24,257)
Finance costs		(276)	(758)
Loss before taxation		(17,608)	(13,251)
Income tax credit	3	1,963	2,818
Loss for the year from continuing operation		(15,645)	(10,433)
Discontinued operation			
Loss for the year from discontinued operation	2	(5,911)	(4,566)
Loss for the year	4	(21,556)	(14,999)
Attributable to:			
Equity holders of the Company		(21,556)	(14,662)
Minority interests		–	(337)
		(21,556)	(14,999)
Loss per share			
From continuing and discontinued operations:	5		
– Basic		HK5.6 cents	HK3.8 cents
From continuing operation:			
– Basic		HK4.1 cents	HK2.6 cents

CONSOLIDATED BALANCE SHEET

AT 31ST MARCH, 2007

	NOTES	2007 HK\$'000	2006 HK\$'000
Non-current assets			
Property, plant and equipment		107,819	127,166
Prepaid lease payments		2,042	2,100
Held-to-maturity investments		15,600	15,600
		<u>125,461</u>	<u>144,866</u>
Current assets			
Inventories		108,208	141,356
Trade and other receivables	6	48,986	75,868
Bills receivable		2,405	1,538
Prepaid lease payments		58	58
Held-for-trading investments		5,167	–
Derivative financial instruments		1,203	–
Pledged bank deposit		4,000	4,000
Bank balances and cash		104,239	74,409
		<u>274,266</u>	<u>297,229</u>
Current liabilities			
Trade and other payables	7	30,360	37,368
Bills payable-secured		1,989	14,134
Taxation payable		3,464	3,374
Obligations under finance leases			
– due within one year		2,336	3,085
Derivative financial instruments		475	–
		<u>38,624</u>	<u>57,961</u>
Net current assets		<u>235,642</u>	<u>239,268</u>
Total assets less current liabilities		<u>361,103</u>	<u>384,134</u>
Non-current liabilities			
Obligations under finance leases – due after one year		134	2,467
Deferred tax liabilities		–	2,093
		<u>134</u>	<u>4,560</u>
		<u>360,969</u>	<u>379,574</u>
Capital and reserves			
Share capital		38,376	38,857
Reserves		322,593	340,717
		<u>360,969</u>	<u>379,574</u>

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, amendments and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which are either effective for accounting periods beginning on or after 1st December, 2005 or 1st January, 2006 or 31st March, 2006. 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. Accordingly, no prior year adjustment has been required.

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	
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Manufacture and sale of knitted fabric and dyed yarns	<u>319,624</u>	<u>388,711</u>	<u>–</u>	<u>–</u>	<u>319,624</u>	<u>388,711</u>
Manufacture and sale of garment products	<u>–</u>	<u>–</u>	<u>4,712</u>	<u>16,636</u>	<u>4,712</u>	<u>16,636</u>
	<u>319,624</u>	<u>388,711</u>	<u>4,712</u>	<u>16,636</u>	<u>324,336</u>	<u>405,347</u>

SEGMENT INFORMATION

Business segment

For management purpose, the Group is currently engaged in the manufacturing and sale of knitted fabric and dyed yarns, with the provision of dyeing, bleaching, setting and finishing services. The Group was also involved in the operation of manufacture and sale of garment products, which has been discontinued during the year. These activities are the basis on which the Group reports its primary segment information.

Segment information about these activities is presented below:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March, 2007

	Continuing operation Manufacture and sale of knitted fabric and dyed yarns <i>HK\$ '000</i>	Discontinued operation Manufacture and sale of garment products <i>HK\$ '000</i>	Eliminated <i>HK\$ '000</i>	Consolidated <i>HK\$ '000</i>
REVENUE				
External sales	319,624	4,712	–	324,336
Inter-segment sales	676	–	(676)	–
Total revenue	<u>320,300</u>	<u>4,712</u>	<u>(676)</u>	<u>324,336</u>
RESULTS				
Segment results	<u>(17,275)</u>	<u>(3,699)</u>		<u>(20,974)</u>
Other income	4,394	532		4,926
Unallocated corporate expenses	(4,451)	(2,744)		(7,195)
Finance costs	<u>(276)</u>	<u>–</u>		<u>(276)</u>
Loss before taxation	(17,608)	(5,911)		(23,519)
Income tax credit	<u>1,963</u>	<u>–</u>		<u>1,963</u>
Loss for the year	<u><u>(15,645)</u></u>	<u><u>(5,911)</u></u>		<u><u>(21,556)</u></u>

For the year ended 31st March, 2006

	Continuing operation	Discontinued operation		
	Manufacture and sale of knitted fabric and dyed yarns	Manufacture and sale of garment products		
	<i>HK\$'000</i>	<i>HK\$'000</i>	Eliminated	Consolidated
			<i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE				
External sales	388,711	16,636	–	405,347
Inter-segment sales	7,000	–	(7,000)	–
Total revenue	<u>395,711</u>	<u>16,636</u>	<u>(7,000)</u>	<u>405,347</u>
RESULTS				
Segment results	<u>(11,194)</u>	<u>(4,693)</u>		<u>(15,887)</u>
Other income	2,976	127		3,103
Unallocated corporate expenses	(4,275)	–		(4,275)
Finance costs	<u>(758)</u>	<u>–</u>		<u>(758)</u>
Loss before taxation	(13,251)	(4,566)		(17,817)
Income tax credit	<u>2,818</u>	<u>–</u>		<u>2,818</u>
Loss for the year	<u><u>(10,433)</u></u>	<u><u>(4,566)</u></u>		<u><u>(14,999)</u></u>

3. INCOME TAX CREDIT

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operation		
Current tax:		
Hong Kong Profits Tax	(108)	–
(Under)overprovision in prior years:		
Hong Kong Profits Tax	(49)	–
Other jurisdictions	27	–
	<u>(130)</u>	<u>–</u>
Deferred taxation:		
Current year	2,093	2,818
	<u>1,963</u>	<u>2,818</u>

Hong Kong Profits Tax is calculated at 17.50% of the estimated assessable profit for both years. No provision for Hong Kong Profits Tax has been made for the year ended 31st March, 2006 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	
	2007	2006	2007	2006	2007	2006
	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	32,471	32,950	2,381	4,415	34,852	37,365
– Retirement benefits schemes contributions	778	935	–	12	778	947
Total staff costs	<u>33,249</u>	<u>33,885</u>	<u>2,381</u>	<u>4,427</u>	<u>35,630</u>	<u>38,312</u>
Auditors' remuneration	912	900	–	–	912	900
Depreciation of property, plant and equipment	23,504	24,586	344	668	23,848	25,254
Release of prepaid lease payments	58	58	–	–	58	58
Cost of inventories recognised as an expense	308,743	369,434	6,143	17,978	314,886	387,412
Impairment loss on trade and other receivables	803	116	–	–	803	116
Impairment loss on inventories (included in cost of sales)	2,090	–	–	–	2,090	–
Loss on disposal of property, plant and equipment	106	–	2,744	–	2,850	–
and after crediting:						
Interest income from banks	2,383	916	3	3	2,386	919
Interest income from held-for-maturity investments	311	294	–	–	311	294
Gain on fair value changes on held-for-trading investments	845	–	–	–	845	–
Gain on fair value changes on derivative financial instruments	728	–	–	–	728	–
Gain on disposal of property, plant and equipment	–	1,236	–	–	–	1,236
	<u>–</u>	<u>1,236</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,236</u>

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:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Loss for the year attributable to equity holders of the Company for the purposes of basic loss per share	<u>(21,556)</u>	<u>(14,662)</u>
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares for the purposes of basic loss per share	<u>384,573</u>	<u>388,573</u>

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:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Loss for the year attributable to equity holders of the Company	(21,556)	(14,662)
Less: Loss for the year from discontinued operation	<u>5,911</u>	<u>4,566</u>
Loss for the purposes of basic loss per share from continuing operation	<u>(15,645)</u>	<u>(10,096)</u>

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 1.50 HK cents per share (2006: 1.20 HK cents per share). 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, 2007 and 2006 has been presented because the exercise price of the Company's options 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\$46,340,000 (2006: HK\$68,702,000).

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

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-60 days	30,389	39,393
61-90 days	7,401	11,785
91-120 days	1,566	5,013
Over 120 days	6,984	12,511
	<u>46,340</u>	<u>68,702</u>

7. TRADE AND OTHER PAYABLES

Included in trade and other payables of the Group are trade payables of HK\$16,913,000 (2006: HK\$24,080,000).

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

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-60 days	13,391	14,869
61-90 days	1,664	2,751
Over 90 days	1,858	6,460
	<u>16,913</u>	<u>24,080</u>

RESULTS

For the year ended 31st March, 2007, the Group recorded a turnover of approximately HK\$324,336,000 representing a decrease 20.00% compared to that of last year, and gross profit is only approximately HK\$7,360,000 which represented decrease of approximately 59.00% compared to that of last year. Consequently, the Group recorded a net loss of approximately HK\$21,556,000 for the year.

DIVIDEND

The directors do not recommend the payment of dividend for the year ended 31st March, 2007.

BUSINESS REVIEW

In 2006, the quota system has been re-instated after mutual agreement by both US and Chinese Governments which has given an adverse impact to the Group's business in the year under review, 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 including inter-segment sales has dropped to approximately HK\$320,300,000 representing a decrease of 19.10% as compared to that of last year. The production costs has increased markedly because of rise in price of dyed material, coal and electricity, and salary and wages in China. Together with a provision of approximately HK\$2,090,000 for the inventories damaged by Typhoon Prapiroon in August, 2006, the Group has recorded a net operating loss of approximately HK\$15,645,000 in this segment. Manufacture and sales of garment sustained a loss of HK\$3,167,000 for the year. In September 2006, the Group decided to discontinue its operation in the segment of manufacture and sales of garment in view of unsatisfactory performance. Certain properties, plants and equipments have been disposed to an independent party, and an impairment loss of approximately HK\$2,744,000 has been recorded, as a result, the Group reported a total losses of HK\$5,911,000 in this segment.

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\$7,820,000 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.

On 16th July, 2007, the Company has entered into two agreements with Emperor Securities Limited, pursuant to which, the Company will issue 38,000,000 unlisted warrants at the price of HK\$0.10 each, the subscription price of the warrant is HK\$1.06 per subscription share. Details of this transaction were disclosed on the announcement dated 18th July, 2007.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st March, 2007, the Group's shareholders' equity amounted to HK\$360,969,000, while total indebtedness to financial institutes amounted to approximately HK\$4,459,000, and cash on hand amount to approximately HK\$108,329,000. The Group's financial institutes' indebtedness to equity ratio is only 0.01. Current ratio is 7.1. 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, 2007, 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.

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.

PLEDGE OF ASSETS

At the balance sheet date, certain of the Group's buildings with an aggregate net book value of approximately HK\$2,247,000, held-to-maturity investment 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.

STAFF AND REMUNERATION POLICIES

As at 31st March, 2007, the Group had approximately 1060 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.

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

During the year, the Company had purchased 4,810,000 Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), details of which are as follows:

Date of repurchase	Number of shares repurchased	Purchase price per share		Total consideration
		Highest price <i>HK\$</i>	Lowest price <i>HK\$</i>	
25th May, 2006	230,000	0.231	0.231	53,130
29th May, 2006	500,000	0.240	0.240	120,000
1st June, 2006	1,800,000	0.241	0.240	432,000
2nd June, 2006	1,280,000	0.240	0.240	307,200
5th June, 2006	1,000,000	0.240	0.240	240,000
	<u>4,810,000</u>			<u>1,152,330</u>

The above shares were cancelled upon repurchase.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st March, 2007 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 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 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) under “Latest Listed Company Information” and on the website of the Company at (<http://kwonghing.etnet.com.hk>). The annual report for the year ended 31st March 2007 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, 20th July, 2007