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**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 31 MARCH 2009**

**RESULTS**

The Board of directors (the “Board”) of Kwong Hing International Holdings (Bermuda) Limited (the “Company”) announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st March, 2009 (which have been reviewed by the audit committee of the Company) with comparative figures for the year ended 31st March, 2008.

**CONSOLIDATED INCOME STATEMENT**

*For the year ended 31st March, 2009*

	Notes	2009 HK\$'000	2008 HK\$'000
Revenue	2	235,865	287,765
Cost of sales		(224,334)	(270,151)
Gross profit		11,531	17,614
Other income		3,024	4,417
Other gains and losses		(27,499)	(20,110)
Distribution and selling expenses		(4,681)	(6,474)
Administrative expenses		(24,983)	(32,921)
Finance costs		(1)	(72)
Loss for the year	3	(42,609)	(37,546)
Loss per share - Basic	4	11.1 HK cents	9.8 HK cents

## CONSOLIDATED BALANCE SHEET

At 31st March, 2009

	Notes	2009 HK\$'000	2008 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		92,166	100,669
Prepaid lease payments		1,926	1,984
Held-to-maturity investments		-	15,600
		<u>94,092</u>	<u>118,253</u>
<b>Current assets</b>			
Inventories		57,857	102,898
Trade and other receivables	5	40,679	36,469
Bills receivable		1,854	448
Prepaid lease payments		58	58
Held-to-maturity investments		15,600	-
Financial assets at fair value through profit or loss		31,361	39,595
Derivative financial instruments		-	3,131
Restricted bank deposit		1,896	-
Pledged bank deposit		4,000	4,000
Bank balances and cash		81,169	70,349
		<u>234,474</u>	<u>256,948</u>
<b>Current liabilities</b>			
Trade and other payables	6	21,493	25,660
Bills payable - secured		1,463	1,728
Taxation payable		3,429	2,794
Obligations under finance leases		-	134
Derivative financial instruments		2,596	4,424
		<u>28,981</u>	<u>34,740</u>
<b>Net current assets</b>			
		<u>205,493</u>	<u>222,208</u>
		<u>299,585</u>	<u>340,461</u>
<b>Capital and reserves</b>			
Share capital		38,376	38,376
Reserves		261,209	302,085
		<u>299,585</u>	<u>340,461</u>
		<u>299,585</u>	<u>340,461</u>

## **Notes**

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

In the current year, the Group has applied a number of amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are or have become effective. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period 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. The Group's operations is regarded as a single segment, being the manufacture and sale of knitted fabric and dyed yarns, with the provision of dyeing, bleaching, setting and finishing services. The Group has therefore reported its primary segment information by geographical locations.

### **SEGMENT INFORMATION**

As over 90% of the Group's revenue and contribution to segment results based on location of customers for the year ended 31st March, 2009 and 2008 are derived from Hong Kong, geographical analyses of segment revenue and results are not presented.

### 3. LOSS FOR THE YEAR

	2009	2008
	HK\$'000	HK\$'000
Loss for the year has been arrived at after charging:		
Staff costs, including directors' emoluments:		
- Salaries and other benefits	35,281	34,658
- Retirement benefit scheme contributions	1,405	986
- Share-based payment expenses	787	5,522
Total staff costs	<u>37,473</u>	<u>41,166</u>
Auditor's remuneration	850	900
Depreciation of property, plant and equipment	15,659	17,737
Release of prepaid lease payments	58	58
Cost of inventories recognised as an expense	224,334	270,151
Loss on disposal of property, plant and equipment	-	436
Loss on fair value changes on investment held-for-trading	25,412	3,059
Loss on fair value changes on financial assets designated at FVTPL	1,293	3,604
Loss on fair value changes on derivative financial instruments	2,596	2,021
and after crediting:		
Interest income from banks	1,226	3,206
Interest income from held-to-maturity investments	498	368
Gain on disposal of property, plant and equipment	1,656	-
	<u>=====</u>	<u>=====</u>

### 4. LOSS PER SHARE

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

	2009	2008
	HK\$'000	HK\$'000
Loss for the year attributable to equity holders of the Company for the purpose of basic loss per share	(42,609)	(37,546)
	<u>=====</u>	<u>=====</u>
	'000	'000
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>383,763</u>	<u>383,763</u>
	<u>=====</u>	<u>=====</u>

No diluted loss per share for the year ended 31st March, 2009 and 2008 has been presented because the exercise prices of the Company's options and warrants were higher than the average market price per share.

## 5. 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 HK\$32,310,000 (2008:HK\$33,209,000).

The following is an aged analysis of trade receivables net of impairment loss, is as follows:

	2009 HK\$'000	2008 HK\$'000
0 - 60 days	22,494	15,474
61 - 90 days	3,491	10,632
91 - 120 days	1,035	5,816
Over 120 days	5,290	1,287
	<u>32,310</u>	<u>33,209</u>
	=====	=====

## 6. TRADE AND OTHER PAYABLES

Included in trade and other payables of the Group are trade payables of HK\$13,064,000 (2008: HK\$15,253,000).

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

	2009 HK\$'000	2008 HK\$'000
0 - 60 days	9,820	8,389
61 - 90 days	1,247	2,401
Over 90 days	1,997	4,463
	<u>13,064</u>	<u>15,253</u>
	=====	=====

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, 2009, the Group recorded a turnover of approximately HK\$235,865,000 representing a decrease 18.0% compared to that of last year, and gross profit is only approximately HK\$11,531,000 which represented decrease of approximately 34.5% compared to that of last year. Together with the loss on the fair value change of approximately HK\$29,301,000 on the financial instruments as the consequence of the worsening condition of the worldwide financial market, the Group recorded a net loss of approximately HK\$42,609,000 for the year.

## **DIVIDEND**

The directors do not recommend the payment of dividend for the year ended 31st March, 2009.

## **BUSINESS REVIEW**

The worldwide economic conditions are worsening in the year under review especially in the second half of the year, such conditions had given an adverse impact to the Group's business. As a result, the turnover of manufacture and sales of knitted fabric and dyed yarns has dropped to approximately HK\$235,865,000 representing a decrease of 18.0% as compared to that of last year. Moreover, the production cost has 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. Although, the impact of production cost increase was reduced by the stringent cost control measures which had delivered a positive impact to the Group, the Group's gross margin was decreased to 4.9% from 6.1% of last year. During the year, loss of appropriately HK\$29,301,000 on the fair value changes on the financial instruments was recorded. As a result, the Group recorded a net loss of approximately HK\$42,609,000 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\$7,231,000 in property, plant and equipment.

## **PROSPECTS**

Looking forward, the worse worldwide economic conditions and 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.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31st March, 2009, the Group's shareholders' equity amounted to HK\$299,585,000, while total indebtedness to financial institutes amounted to approximately HK\$1,463,000, and cash on hand amount to approximately HK\$87,065,000. The Group's financial institute's indebtedness to equity ratio is only 0.005. Current ratio is 8.1. The Group also hold financial assets of approximately HK\$46,961,000. 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.

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 Chinese Renmibi. The Board 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 risk.

## **PLEDGE OF ASSETS**

As 31st March, 2008 certain of the Group's buildings with an aggregate carrying amount of HK\$2,183,000, held-to-maturity investments of HK\$7,800,000, and bank deposit of HK\$4,000,000 were pledged to banks as securities for general banking facilities granted to the Group. All of those Group's buildings, and held-to-maturity investments were released during the year and only bank deposit of HK\$4,000,000 was still pledged as at 31st March, 2009.

## **STAFF AND REMUNERATION POLICIES**

As at 31st March, 2009, the Group had approximately 750 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. During the year, options to subscribe for a total of 3,100,000 shares of the Company were granted, and fair value of share options for approximately HK\$787,000 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.

## **CORPORATE GOVERNANCE**

The Company has complied throughout the year ended 31st March, 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"), 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 ([www.kwonghing.com](http://www.kwonghing.com)). The annual report for the year ended 31st March, 2009 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, 2009

*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.*