



**KWONG HING INTERNATIONAL HOLDINGS
(BERMUDA) LIMITED**

(Incorporated in Bermuda with limited liability)

**FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED
31ST MARCH, 2002**

The Board of Directors (the "Board") of Kwong Hing International Holdings (Bermuda) Limited (the "Company") announced the audited annual results of the Company and its subsidiaries and associate (the "Group") for the year ended 31st March, 2002 together with comparative figures for the year ended 31st March, 2001 as follows:

	<i>Notes</i>	2002 HK\$'000	2001 <i>HK\$'000</i>
Turnover	<i>1</i>	336,032	371,177
Cost of sales		(311,591)	(335,251)
Gross profit		24,441	35,926
Other revenue		1,147	2,311
Selling expenses		(7,360)	(6,110)
Administrative expenses		(22,368)	(18,718)
Recovery of (allowance for) bad and doubtful debts		2,081	(6,870)
Realised and unrealised holding gain on trading securities		346	9
(Loss) profit from operations		(1,713)	6,548
Finance costs		(34)	(347)
Impairment loss recognised in respect of other securities		-	(9,409)
Share of loss of an associate		(19,997)	(13,277)
Loss before taxation		(21,744)	(16,485)
Taxation	<i>2</i>	(1,441)	(402)

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Net loss for the year		(20,303)	(16,083)
Loss per share	3		
Basic		(1.09) cents	(1.01) cents

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, 2002 and 2001, 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.

	2002	2001
	HK\$'000	HK\$'000
The turnover comprises:		
Sale of goods	330,609	365,963
Subcontracting fee income	5,423	5,214
	336,032	371,177

2. TAXATION

	2002	2001
	HK\$'000	HK\$'000
The taxation (credit) charge comprises:		
Hong Kong Profits Tax	7	13
Overseas taxation	212	55
	219	68
Deferred taxation		
Current year	(1,660)	(470)
	(1,441)	(402)

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. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year of approximately HK\$20,303,000 (2001: HK\$16,083,000) and on the adjusted weighted average of 1,862,580,822 (2001: 1,587,794,521) ordinary shares in issue during the year, after adjustment for the effect of the rights issue of the Company during this year.

No diluted loss per share is presented as the exercise price of the Company's share option is higher than the average market price for shares for both years.

RESULTS

For the year ended 31st March, 2002, turnover was approximately HK\$336,032,000 which represents a decrease of approximately 9.5% compared to that of last year. Net loss attributable to shareholders was approximately HK\$20,303,000. This was mainly attributable to significant decrease in the gross margin as well as its gross profit and losses for approximately HK\$19,997,000 shared by the Group from its associate.

DIVIDEND

The Directors do not recommend the payment of a dividend for the year ended 31st March, 2002 (2001: Nil).

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, 2002, substantially all of which are made to customers based in Hong Kong and all of the manufacturing operation of the Group are located in the People's Republic of China, other than Hong Kong.

For the year ended 31st March, 2002, the business environment was worse than that of last year. The US economy was seriously hit by the event of 11th September, which had a significant impact on the Group's business as the US provides the major market to the Group's customers whom had been cautious about the inventory policy to decrease stock level. Moreover, the keen competition from our rivals and the event of 11th September had resulted to a significant price reduction on our products, which narrowed our gross margin to approximately 7.3% from approximately 9.7% last year despite the measures on the control of operation cost had been taken. Consequently, gross profit decreased by approximately 32% to approximately HK\$24,441,000 from approximately HK\$35,926,000 last year.

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During the year, management has focused on controlling its operation cost, under the extreme competitive environment, the Group could still maintain its production cost and overhead expenses at their normal level.

During the year, the Group spent approximately HK\$15,157,000 on additions to property, plant and equipment to upgrade its factory and production facilities, for the purpose of enhancing its productivity and its product quality. These investments and previous capital investments have strengthened Group's competence, as well as its market position, and contributed additional revenues to the Group.

On 4th September, 2001, the Board put forward proposals under which the shareholders were invited to consider approving the Capital Re-organization and By-law Amendments, the details of which were set out in the circular dated 29th September, 2001. The above proposals had been approved subsequently by the shareholders in the special general meeting held on 22nd October, 2001.

On 19th November, 2001, the Company announced share placement and share subscription, pursuant to which 322,200,000 shares had been issued at the price of HK\$0.05 per share on 29th November, 2001. The net proceeds had been applied in accordance with the intended uses as stated in the announcement. The Board considered that the placement and subscription would increase the liquidity of the Company's shares in the stock market, and would also improve the financial strength and liquidity of the Group.

On 8th January, 2002, the Company announced that the Company would issue by way of 1,933,200,000 right shares of HK\$0.01 each in the share capital of the Company (the "Right Shares") on the basis of one Right Shares for every then issued share held on the close of business on 4th February, 2002 at a subscription price of HK\$0.04 per Right Shares payable in full on the acceptance. The right issue was completed on 5th March, 2002 and the Group raised a net amount of approximately HK\$75,000,000, of which, as at 31st March, 2002, approximately HK\$1,800,000 was used to repay bank indebtedness, and the balance was placed into short-term bank deposits.

PROSPECTS

As the global economy is not expected to be improved shortly, the Board believes the business environment in the coming year is expected to remain highly competitive and challenging, and the Group's business will not significantly improve in the near future, although the benefit from the enhanced production facilities will be steadily realized.

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In order to combat with the difficult and competitive business environment, the Group will continuously upgrade its factory and production facilities so as to increase its productivity and to enhance its product quality and reduce our production cost . Moreover, the Group will continuously pursue its cautionary credit policy for its customers and continuously improve its product quality, cost and inventory control measures.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st March, 2002, the Group's shareholders' equity amounted to approximately HK\$362,258,000, while total bank indebtedness amounted to approximately HK\$21,867,000, and net cash on hand amounted to approximately HK\$121,649,000. Current ratio is 5.3. 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 other business development opportunities.

STAFF AND REMUNERATION POLICIES

As at 31st March, 2002, the Group had approximately 830 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 executives, with a view to provide senior management with an appropriate incentive interest in the growth of the Group. The Board propose to adopt a new share option scheme ("Scheme") at the forthcoming annual general meeting to be held on 23rd August 2002. A circular setting out the terms and conditions of the Scheme will be sent to the shareholders.

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\$2,558,000 (2001: HK\$2,620,000) have been pledged to bank as security for general banking facilities granted to the Group.

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

During the year ended 31st March, 2002, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

KWONG HING INTERNATIONAL HOLDINGS (BERMUDA) LIMITED

29 July 2002

The Company has complied throughout the year ended 31st March, 2002 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, 26th July, 2002

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 Friday, 23rd August, 2002 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, 2002;
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:**

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- (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:

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- (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;

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- (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."

- 5. **"THAT** conditional upon The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting the approval for the New Share Option Scheme referred to in the circular dispatched to the shareholders of the Company on the same day as the Notice, the terms of which are set out in the printed document marked "A" now produced to the meeting and for the purpose of identification signed by the Chairman hereof (the "Scheme") and subject to such amendments to the Scheme as the Stock Exchange may request, the Scheme be approved and adopted to be the new share option scheme of the Company and that the board of directors of the Company be and is hereby authorised to do all such acts and to enter into all such transactions and arrangements as may be necessary or expedient in order to give full effect to the Scheme, notwithstanding that they or any of them may be interested in the same."
- 6. **"THAT** subject to and conditional upon the passing of ordinary resolution numbered 5 set out in the Notice and the condition referred to therein being satisfied or fulfilled, the operation of the existing share option scheme of the Company adopted on 3rd March, 1997 be hereby terminated with effect from the adoption of the Scheme (such that no further options could thereafter be offered under the existing share option scheme of the Company but in all other respects the provisions of the existing share option scheme of the Company shall remain in full force and effect)."

By Order of the Board
Fung Chi Ki
Company Secretary

Hong Kong, 26th July, 2002

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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 notarially 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 Tuesday, 20th August, 2002 to Friday, 23rd August, 2002 (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 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong for registration not later than 4:00 p.m. on Monday, 19th August, 2002.
- (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 29 July 2002.