



**Kwong Hing International Holdings (Bermuda) Limited**

**廣興國際控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE PERIOD ENDED 30TH SEPTEMBER, 2003**

**RESULTS**

The Board of directors (the “Board”) of Kwong Hing International Holdings (Bermuda) Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30th September, 2003 with comparative figures for the corresponding periods as follows. The results have been reviewed by the Company’s audit committee.

**Consolidated Income Statement (Unaudited)**

For the six months ended 30th September, 2003

		<b>For the six months ended 30th September,</b>	
		<b>2003</b>	2002
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
Turnover	2	<b>225,920</b>	200,555
Cost of sales		<b>(186,633)</b>	(172,175)
Gross profit		<b>39,287</b>	28,380
Other operating income		<b>2,840</b>	1,535
Selling expenses		<b>(6,858)</b>	(4,992)
Administrative expenses		<b>(11,821)</b>	(10,925)
Realized and unrealized gain (loss) on trading securities		<b>109</b>	(1,096)
Profit from operations		<b>23,557</b>	12,902
Finance costs		<b>(45)</b>	–
Profit before taxation		<b>23,512</b>	12,902
Taxation	3	<b>1,057</b>	482
Net profit for the period		<b>22,455</b>	12,420
Dividends	4	<b>9,714</b>	4,640
Earnings per share	5		
Basic		<b>5.8 cents</b>	3.2 cents
Diluted		<b>5.7 cents</b>	N/A

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**

For the six months ended 30th September, 2003

**1. Accounting policies**

The unaudited interim financial statements have been prepared in compliance with Statement of Standard Accounting Practice (“SSAP”) 25 (revised) “Interim Financial Reporting”, and on a basis consistent with the accounting policies adopted by the Group in the preparation of its financial statements for the year ended 31st March, 2003, except for the adoption of the SSAP 12 (revised) “Income tax. The adoption of this standard had no material effect on the amounts reported in the prior period, except that certain presentational change have been made.

**2. Turnover**

Sales of knitted fabrics and dyed yarns account for more than 90% of the Group’s turnover for the periods ended 30th September 2003 and 2002, 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. Accordingly, no analysis for the segment information are provided. The turnover comprises:

	<b>For the six months ended</b>	
	<b>30th September, 2003</b>	<b>30th September, 2002</b>
	<b><i>HK\$’000</i></b>	<b><i>HK\$’000</i></b>
Sale of knitted fabric and dyed yarns	<b>225,116</b>	200,120
Subcontracting fee income	<b>804</b>	435
	<b><u>225,920</u></b>	<b><u>200,555</u></b>

### 3. Taxation

	<b>For the six months ended</b>	
	<b>30th September, 2003 HK\$'000</b>	<b>30th September, 2002 HK\$'000</b>
The income tax comprises:		
Hong Kong Profits Tax calculated at 17.5% (2002: 16%) of the estimated assessable profit for the periods	<b>521</b>	424
Deferred taxation	<b>208</b>	(287)
	<b>729</b>	137
Overseas tax calculated at the rates prevailing in the respective jurisdictions.	<b>328</b>	345
	<b><u>1,057</u></b>	<b><u>482</u></b>

### 4. Dividends

	<b>For the six months ended</b>	
	<b>30th September, 2003 HK\$'000</b>	<b>30th September, 2002 HK\$'000</b>
Proposed interim dividend : HK2.5 cents (2002: HK1.20 cents after adjustment of the effect of share consolidation) per share	<b><u>9,714</u></b>	<b><u>4,640</u></b>

### 5. Earnings per share

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

	<b>For the six months ended</b>	
	<b>30th September, 2003 HK\$'000</b>	<b>30th September, 2002 HK\$'000</b>
Net profit for the period	<b><u>22,455</u></b>	<b><u>12,420</u></b>

# Kwong Hing International Holdings (Bermuda) Limited

Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>387,168,196</b>	386,640,000
Effect of dilutive potential ordinary shares in respect of share options	<b>10,149,756</b>	—
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<b><u>397,317,952</u></b>	<b><u>386,640,000</u></b>

The weighted average number of ordinary shares of last corresponding period for the basic earnings per share has been adjusted for the effect of the consolidation of every 10 shares of HK\$0.01 each into 1 share of HK\$0.10 each effected on 19th March, 2003.

## INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK2.5 cents per share for the six months ended 30th September, 2003 (2002: HK1.2 cents, after adjustment of the effect of share consolidation) payable to shareholders on 9th January, 2004 to the shareholders whose name appear on the register of the members of the Company on 7th January, 2004.

## CLOSURE OF REGISTER OF MEMBERS

The Register of the Members of the Company will be closed from Monday, 5th January, 2004 to Wednesday, 7th January, 2004 (both dates inclusive) during which period no transfer of shares will be registered. In order to qualify for the interim dividend, 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 G/F., BEA Harbour View Center, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Friday, 2nd January, 2004.

## BUSINESS REVIEW

For the six months ended 30th September, 2003, the Group, developing on the solid foundation laid down in previous years, achieved a better results. The Group recorded a turnover of approximately HK\$225,920,000 and gross profit of approximately HK\$39,287,000 in comparison to

approximately HK\$200,555,000 and HK\$28,380,000 respectively of the same period in 2002, representing increase of 12.6% and 38.4% respectively. The profit improvement was mainly attributed to the expansion of Group's diversified production capacity which enables the Group to provide excellent speeding services as well as high quality products to its customers. Moreover, the coal-fired facilities and procurement in China have significantly reduced the Group's production cost, together with Group's effective cost control measures, the Group's gross margin was improved from 14.2% to 17.4%. As a result, the Group achieved a net profit of approximately HK\$22,455,000, representing an increase of approximately 80.8% as compared to HK\$12,420,000 of the same period in 2002

Stepping into the period, the Group recorded more orders as there were indications of recovery in US market which is the major market of the Group's customers. Moreover, the customers' requirements in terms of product quality and production lead-time are higher and higher, this trend induced a lot of opportunities and benefits to the Group. Consequently, the Group's business was significantly improved.

During the period, management focused on controlling its operating cost and enhancing its competitive advantage, and achieved satisfactory results. Under the extreme competitive environment, the Group managed to control its production cost and overhead expenses at competitive level, proving the success of the Group's effective cost management and further enhancing its competitiveness in the industry. The Group continued its prudent and conservative customer credit policy and also monitored closely its inventory level as well as production requirements. The above measures also enable the Group to maintain a healthy cash level.

During the period, the increase in cotton price has resulted in more than 20% increase in certain raw material of Group's product. The Board had continuously monitored Group's inventory level, and appropriate actions have been taken to reduce its impact to the Group's business.

During the period, the Group invested approximately HK\$13,431,000 in property, plant and equipment to upgrade its factory and production facilities so as to increase its productivity and to enhance its production quality. Together with the investments last year, the Group's production capacity was increased by appropriately 50% at the end of August 2003. The expansion enables the Group to satisfy the increasing demands of its product at better economies of scales.

On 29th August, 2003, the Company entered into a conditional agreement for a acquisition of 70% interest in the issued share capital of South Season Industrial Company Limited, whose principal activities are garment trading, for a consideration of HK\$24,500,000, the acquisition was completed on 3rd October, 2003. The acquisition has been complementing and introducing additional business opportunities to the Group's business, and it is also in-line with the Group's business expansion strategy of "Vertical Integration" which will enlarge Group's earning base as well as becoming one of its major income stream in the future.

## **PROSPECTS**

Looking forward, the demand of the Group's product is expected to increase because of the recovery of US economy and the change of Group's ultimate customers purchasing behaviour and the abolishment of textile quota after 2004. 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 change. The directors believe that long term benefit from expansion of production facilities are crucial to the Group's profitability. Moreover, 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 develop the Asian and the PRC markets, and will also extend its services into landed duties paid operation in the US market.

Despite the business environment in the second half of the year is expected to remain highly competitive and challenging, the Board believes that the Group, building on the success of its recent developments together

with the benefit from the expanded production facilities, the above mentioned control measures and Vertical Integration, is ready to take on the challenge and to profit from the immense business opportunities ahead of the Group.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30th September, 2003, the Group's shareholders' equity amounted to HK\$390,415,000, while total bank indebtedness amounted to approximately HK\$23,778,000, and net cash on hand amount to approximately HK\$43,314,000. Current ratio is 4.6. 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 30th September, 2003, the Group has short-term high graded debt securities investments of approximately HK\$43,579,000.

## **PLEDGE OF ASSETS**

At the balance sheet date, certain Group's leasehold land and building with an aggregate net book value of approximately HK\$2,464,000 (31st March, 2003: HK\$2,495,000) and value added tax refundable on export of HK\$1,696,000 (31st March, 2003: Nil) have been pledged to banks as security for general banking facilities granted to the Group.

## **STAFF AND REMUNERATION POLICIES**

As at 30th September, 2003, the Group had approximately 1,500 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 participants, with a view to provide incentive to the option holders to participate and contribute the growth of the Group.

**PUBLICATION OF FURTHER INFORMATION ON THE WEBSITE  
OF THE STOCK EXCHANGE OF HONG KONG LIMITED**

A detail results announcement containing all information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules 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, 27th November, 2003

\* *For identification purpose only*

Please also refer to the published version of this announcement in China Daily dated on 28-11-2003.