

I am pleased to announce the audited consolidated financial results of Kwong Hing International Holdings (Bermuda) Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31st March, 2003.

RESULTS

The Group recorded a solid achievement in its financial results for the year under review. We reported a return to profit for the interim period, and building on this, in the subsequent six months, the Group achieved a better result for the whole year.

For the year ended 31st March, 2003, turnover was approximately HK\$353,326,000 which represents an increase of approximately 5% compared to that of last year. The Group returned to a profit of approximately HK\$22,180,000 from a loss of approximately HK\$20,303,000 last year.

DIVIDEND

The Directors recommend the payment of a final dividend of HK1.3 cents per share and a special dividend of HK2.0 cents per share for the year ended 31st March, 2003, payable to shareholders on 29th August, 2003 to the shareholders whose name appear on the register of the members of the Company on 26th August, 2003.

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, 2003, substantially all of which are were produced for customers based in Hong Kong. All of the manufacturing operation of the Group are located in the People's Republic of China.

BUSINESS REVIEW (continued)

For the year ended 31st March, 2003, despite the difficult business environment resulted from extreme competition, the Group achieved a turnover of approximately HK\$353,326,000 and gross profit of approximately HK\$52,613,000 representing 5% and 115% increase respectively compared to last year. The improvement was mainly attributed to the expansion of Group's diversified production capacity which enables the Group to provide better services as well as high quality products to its customers. The Group has commenced its coal-fired facilities during the year and also significantly increased raw material sourcing in PRC. Together with these measures, the Group's continual efforts in controlling its production costs and overhead expenses have led to its gross margin improvement from 7.3% to 14.9% despite price reduction of the Group's products due to severe competition in the market. As a result, gross profit and the net profit were approximately HK\$52,613,000 and approximately HK\$22,180,000 respectively representing significant improvement from last year.

During the year under review, through careful evaluation and analysis of the Group's production requirements, the Group has expanded and diversified its production capacity, the Group invested approximately HK\$34 million in fixed asset, which included approximately HK\$32 million in production facilities. The expansion of production facilities was in progress and was expected to be completed in August 2003, after the completion, the Group's production capacity will be substantially increased by approximately 50%.

During the year, management has focused on controlling its operation cost and satisfactory results have been achieved. Under the extreme competitive environment, the Group managed to maintain its production cost and overhead expenses at its normal level, proofing the success of the Group's effective cost control management and its competitiveness in the industry. Moreover, the Group continued its prudent and conservative credit policy and effective inventory management. The above policy and major internal control measures enable the Group to maintain a healthy financial position and cash level.

During the year, the net proceeds of the right issue on 5th March, 2002 have been applied in accordance with the intended usages as announced.

PROSPECTS

Throughout the year, the Group's experienced management has built a solid financial position and operation for the Company. The Group will continue to strive for further development of its core business in the existing market and also expand into the Asian and PRC markets. The Group will continue to expand its production facilities so as to improve its competitive advantage with better economy of scale and to cope with increasing demands of Group's products and services. The Directors believe that long term benefit of expansion in its production facility are crucial to the Group's future operation and profitability.

Looking forward, apart from existing business, the Group will also explore business opportunities revolving its core business by way of vertical integration along the supply chain.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st March, 2003, the Group's shareholders' equity amounted to approximately HK\$379,798,000, while total bank indebtedness amounted to approximately HK\$23,850,000, and net cash on hand amounted to approximately HK\$51,298,000. Current ratio was 4.6. 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 its core business development opportunities.

As at 31st March, 2003, the Group has a short-term investments of approximately HK\$40 million in equity and quality high graded debt securities investment.

STAFF AND REMUNERATION POLICIES

As at 31st March, 2003, the Group had approximately 1,350 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.

CHAIRMAN'S STATEMENT

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\$2,495,000 (2002: HK\$2,558,000) have been pledged to bank as security for general banking facilities granted to the Group

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the five largest customers amounted to approximately 46% of the Group's total sales for the year, in which the sales to the largest customer represented approximately 20% of the total sales for the year.

Purchases from the five largest suppliers amounted to approximately 39% of the total purchases for the year while total purchases from the largest supplier represented approximately 14% of the total purchases for the year.

To the best knowledge of the Directors, and save as disclosed above, none of the Directors, their associate or any shareholder who owned more than 5% of the Company's share capital had any interest in any of the Group's five largest customers and suppliers during the year.

APPRECIATION

For and on behalf of the Board, I would like to express my sincere thanks to shareholders, my fellow directors, staff, customers and suppliers for their commitment and support to the Group during the year.



Chairman

Hong Kong, 18th July, 2003