

Kwong Hing International Holdings (Bermuda) Limited

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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)

DISCLOSEABLE TRANSACTION

ACQUISITION OF A 70% INTEREST IN

SOUTH SEASON INDUSTRIAL COMPANY LIMITED

The Directors announce that on 29th August, 2003, the Company entered into an agreement with the Vendor, pursuant to which the Company has conditionally agreed to acquire from the Vendor a 70% interest in the issued share capital of South Season at a cash consideration of HK\$24,500,000.

The Vendor is independent of and not connected with any of the directors, chief executive, substantial shareholders of the Company or any of its subsidiaries or an associate of any of them.

South Season is principally engaged in the trading of garments in Hong Kong. The audited net tangible asset value of South Season was approximately HK\$4,654,000 as at 31st December, 2002.

The Acquisition constitutes a discloseable transaction for the Company under the Listing Rules. A circular containing, among other things, further details of the Acquisition will be despatched to the Shareholders as soon as practicable.

THE AGREEMENT DATED 29TH AUGUST, 2003

Parties and assets involved

Purchaser	:	The Company
Vendor	:	Chiu Ka Lun
Assets to be acquired	:	1,750,000 shares of HK\$1.00 each in South Season, representing 70% of the issued share capital of South Season

The Vendor is independent of and not connected with any of the directors, chief executive, substantial shareholders of the Company or any of its subsidiaries or an associate of any of them. As at the date of this announcement, South Season's issued share capital was 2,500,000 shares, of which 2,050,000 shares (representing 82% of the shareholding interest in South Season) were held by the Vendor and the remaining 450,000 shares (representing 18% of the shareholding interest in South Season) were held by an independent third party not connected with any of the directors, chief executive, substantial shareholders of the Company or any of its subsidiaries or an associate of any of them.

Upon Completion, the Vendor will hold 300,000 shares of South Season, representing 12% of the issued share capital of South Season.

Consideration

The cash consideration in the sum of HK\$24,500,000 for the Acquisition was arrived at after arm's length negotiations between all parties to the Agreement and taking into account the net profit of South Season as well as the Warranted Net Tangible Assets. Based on the audited net profit of South Season for the year ended 31st December, 2002 of approximately HK\$9,646,000, the consideration for the Acquisition represents a price-earnings ratio of about 3.6 times (calculated as $\text{HK\$}24,500,000 / (\text{HK\$}9,646,000 \times 70\%)$).

The consideration will be financed from the internal resources of the Company and shall be payable upon Completion. Taking into account the Warranted Net Tangible Assets and the abovementioned price-earnings ratio, the Directors consider the terms of the Agreement to be fair and reasonable and in the best interests of the Company and the Shareholders.

Conditions precedent

Completion of the Agreement is conditional upon the following conditions being fulfilled on or before 31st October, 2003 (or such later date as may be agreed between the parties to the Agreement):

- (i) there being no material breach of warranties of the Agreement (warranties include general representations and warranties on the business, financial and legal affairs of South Season);
- (ii) all consents of the Stock Exchange applicable to the Company having been given; and
- (iii) the legal and financial due diligence to be carried out pursuant to the Agreement having been completed to the satisfaction of the Company.

In the event that the above conditions are not fulfilled on or before 31st October, 2003 (or such later date as may be agreed between the parties to the Agreement), the Agreement shall lapse.

Completion

Completion shall take place immediately after the fulfillment of the above conditions, or such later date as the relevant parties may agree in writing prior to Completion.

Warranted Net Tangible Assets

The Vendor has warranted under the Agreement that the net tangible asset value of South Season as shown in the Completion Accounts shall not be less than HK\$10,000,000. Under the Agreement, should the net tangible asset value of South Season as shown in the Completion Accounts fall short of the amount of the Warranted Net Tangible Assets, the Vendor shall pay to South Season the amount of the shortfall within 3 business days from the date the Vendor receives written demand from the Company.

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INFORMATION ON SOUTH SEASON

South Season is principally engaged in the trading of garments in Hong Kong.

The audited net profit of South Season for the two years ended 31st December, 2001 and 2002 are set out as follows:

	Year ended 31st December, 2001	Year ended 31st December, 2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net profit before taxation	13,847	11,431
Net profit after taxation	11,608	9,646

The audited net tangible asset value of South Season was approximately HK\$4,654,000 as at 31st December, 2002. For the year ended 31st December, 2001, South Season recorded an audited net tangible asset value of approximately HK\$15,198,000. During the year ended 31st December, 2002, South Season paid dividends of HK\$20,190,000.

Following Completion, South Season will become a subsidiary of the Company and its accounts will be consolidated with the accounts of the Company. The Company will be entitled to appoint representatives to the board of directors of South Season.

REASONS FOR THE ACQUISITION

The Group is principally engaged in the provision of fabric knitting, bleaching, dyeing and setting services, and manufacture and sale of knitted fabrics in Hong Kong and the PRC.

The Directors consider that South Season's garment trading business in Hong Kong will complement and introduce additional business opportunities to the Group's existing businesses. The Directors further consider that the Acquisition will enlarge the Group's earnings base.

In view of the above, the Directors consider the terms of the Agreement to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

GENERAL

The Acquisition constitutes a discloseable transaction for the Company under the Listing Rules. A circular containing, among other things, further details of the Acquisition will be despatched to the Shareholders as soon as practicable.

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DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“Acquisition”	the acquisition by the Company of a 70% interest in the issued share capital of South Season from the Vendor pursuant to the Agreement
“Agreement”	the agreement dated 29th August, 2003 entered into between the Company and the Vendor in respect of the Acquisition
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	board of Directors
“business day”	a day (other than a Saturday or a Sunday) on which banks are open for business in Hong Kong
“Company”	Kwong Hing International Holdings (Bermuda) Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange
“Completion”	completion of the Acquisition
“Completion Accounts”	the accounts of South Season to be dated no less than five business days prior to Completion
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Shareholders”	the shareholders of the Company
“South Season”	South Season Industrial Company Limited (南洋實業有限公司), a company incorporated in Hong Kong with limited liability on 15th September, 1978
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Chiu Ka Lun

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“Warranted Net Tangible Assets” HK\$10,000,000, being the minimum amount of the net tangible asset value of South Season as at the date of the Completion Accounts as warranted by the Vendor pursuant to the Agreement

“%” per cent.

By order of the board of directors of
Kwong Hing International Holdings (Bermuda) Limited
Li Man Ching
Chairman

Hong Kong, 29th August, 2003

** for identification purpose only*

Please also refer to the published version of this announcement in China Daily dated on 01-09-2003.