

**CORPORATE INFORMATION****BOARD OF DIRECTORS**

Chan Sui Kau, GBS, OBE, JP – *Chairman*  
Chan Wing Fui, Peter, MA – *Vice Chairman*  
Chan Wing Kee, GBS, OBE, JP – *Managing Director*  
Chan Wing To, PhD – *Deputy Managing Director*  
Chan Suk Man, MSc  
Chan Wing Sun, Samuel, FCA  
Yeung Wing Tak\*  
Chan Wing Chak, David  
Chan Suk Ling, Shirley  
Leung Hok Lim, FCPA, CPA (Macau), FHKSA, CPA\*\*  
Wong Lam, OBE, JP\*\*  
\* Non-executive Directors  
\*\* Independent Non-executive Directors

**BANKERS**

The Hongkong and Shanghai Banking Corporation Limited  
1, Queen's Road, Central  
Hong Kong

**SOLICITORS**

Johnson Stokes & Master  
Prince's Building  
16-19th Floor  
10 Chater Road  
Hong Kong

**AUDITORS**

KPMG  
Prince's Building  
8th Floor  
10 Chater Road  
Hong Kong

**SECRETARY AND  
REGISTERED OFFICE**

Hui Sau Ling  
22, Tai Yau Street  
San Po Kong  
Kowloon

**REGISTRARS AND  
TRANSFER OFFICE**

Computershare Hong Kong Investor Services Limited  
17th Floor, Hopewell Centre  
Hong Kong

**NOTICE** is hereby given that the Annual General Meeting of the members of the Company will be held at Yau Yat Chuen Garden City Club, 7 Cassia Road, Yau Yat Chuen, Kowloon on Friday, 22nd August, 2003 at 12:15 p.m. for the following purposes:—

1. To receive and consider the Statement of Accounts and the Reports of the Directors and Auditors thereon for the year ended 31st March, 2003.
2. To declare a final dividend.
3. To elect Directors.
4. To appoint Auditors and fix their remuneration.
5. As special business to consider and, if thought fit, pass the following resolutions as ordinary resolutions: —

5.1 **“THAT: —**

- (a) subject to paragraph (b) the exercise by the Directors during the Relevant Period of all the powers of the Company to purchase shares be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of Shares which may be purchased on The Stock Exchange of Hong Kong Limited or any other stock exchange recognised for this purpose by the Securities and Futures Commission of Hong Kong and The Stock Exchange of Hong Kong Limited under the Hong Kong Code on Share Repurchases pursuant to the approval in paragraph (a) above 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 this Resolution, and the said approval shall be limited accordingly;
- (c) for the purpose of this Resolution: —
  - (i) “Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of: —
    - (aa) the conclusion of the next Annual General Meeting of the Company; and
    - (bb) the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held; and
    - (cc) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders in general meeting; and
  - (ii) “Shares” means shares of all classes in the capital of the Company and securities which carry a right to subscribe or purchase shares of the Company including, without limitation, ordinary shares of HK\$0.50 each in the capital of the Company.”

5.2 **“THAT: —**

- (a) subject to paragraph (c), the exercise by the Directors during the Relevant Period 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 might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) shall authorise the Directors during the Relevant Period to make or grant offers agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (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 pursuant to the approval in paragraph (a), otherwise than pursuant to (i) a Rights Issue, (ii) the exercise of rights of subscription or conversion under the terms any warrants

## NOTICE OF ANNUAL GENERAL MEETING

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issued by the Company or any securities which are convertible into shares of the Company, (iii) any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company or (iv) 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 Articles of Association of the Company, shall not exceed the aggregate of: (aa) 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution plus (bb) (if the Directors are so authorised by a separate ordinary resolution of the shareholders of the Company) the nominal amount of share capital of the Company repurchased by the Company subsequent to the passing of this Resolution (up to a maximum equivalent to 10 per cent. 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 earlier of: –

- (i) the conclusion of the next Annual General Meeting of the Company; and
- (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held; and
- (iii) the revocation or variation of the approval given by this Resolution by ordinary resolution of the shareholders in general meeting; and

“Rights Issue” means an offer of shares open for a period fixed by the Directors to holders of shares of the Company or any class thereof on the register on a fixed record date in proportion to their then holdings of such shares or class thereof (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong).”

5.3 “**THAT** the Directors be and they are hereby authorised to exercise the powers of the Company referred to in paragraph (a) of the resolution set out as Resolution 5.2 in the notice of this meeting in respect of the share capital of the Company referred to in sub-paragraph (bb) of paragraph (c) of such resolution.”

By Order of the Board  
**Hui Sau Ling**  
Secretary

Hong Kong, 22nd July, 2003

*Notes:*

- (a) The Transfer Books and Register of Members of the Company will be closed from 18th August, 2003 to 22nd August, 2003 both days inclusive. In order to qualify for a dividend transfer should be lodged with Computershare Hong Kong Investor Services Limited, before 4:00 p.m. on Friday, 15th August, 2003.
- (b) A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.
- (c) In order to be valid, a form of proxy must be deposited at the Company’s registered office, 22 Tai Yau Street, San Po Kong, Kowloon, Hong Kong together with a 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, not less than 48 hours before the time for holding the meeting or adjourned meeting.
- (d) With regard to item 5 of the above notice, attention is drawn to the circular to shareholders regarding the general mandate to repurchase shares which is enclosed with the Annual Report and Accounts of the Company.

## GROUP RESULTS

Sales turnover of the Group for the year is HK\$1,238 million. Net profit for the year is HK\$33 million.

## BUSINESS REVIEW AND PROSPECT

Garment industry remained to be difficult. Due to further decline of selling prices, many of our factories were running at losses. Fortunately profits from our continuing expansion in garment trading business had somewhat offset these losses.

Our other investments remained to be profitable. In fact they contributed greatly to the overall profits of the Group. These investments are: YangtzeKiang S.A. – a garment import company in France; Wuxi Changxin Textile Co., Ltd. – a spinning and weaving factory in Wuxi, China; Qinghai Changqing Aluminium Corporation – an aluminium smelter in Qinghai, China and the most recent W. Haking Enterprises Ltd. – an optical instruments manufacturing company in Hong Kong and China. We shall explain in more details concerning these investments in the Management Discussion and Analysis report.

## OUTLOOK

The Directors recognized the challenge ahead in the garment industry as from the year 2005 most of the countries in the world will be quota-free to ship garments to all major markets. This will mean even more severe competition than today. We will examine closely the viability of each of our production facilities and will only keep those factories that can prove themselves to be competitive, efficient and cost-effective. In the long run, we will position ourselves more into garment trading business as manufacturing will be getting more and more difficult. Along with the plan to expand into garment trading, we will also try to establish more of our presence in such major market places like the U.S.A. and Europe in the form of sales and distribution offices.

## APPRECIATION

I would like, on behalf of the Board and shareholders, to express our appreciation to the Company's employees for their efforts and loyal service to the Company during the past year.

By Order of the Board  
**Chan Sui Kau**  
*Chairman*

Hong Kong, 22nd July, 2003

## RESULTS OF OPERATIONS

The Group's turnover HK\$1,238 million for the year ended 31st March, 2003 compared with HK\$1,160 million for the year ended 31st March, 2002. Group's profit from ordinary activities after share of profits less losses of associates, taxation and minority interest was HK\$33 million compared with last year's profit of HK\$28 million.

## GARMENT BUSINESS

We operate our woven clothing business under the name of Yangtzekiang Garment Mfg. Co., Ltd. and knitted business under the name of Hong Kong Knitters Ltd. Our products include men's and women's suits, shirts, trousers, shorts, polo shirts, T-shirts and fleece. Our head office in Hong Kong is the sales and management office for the whole Group. In Hong Kong, we concentrate on the role of garment trading as well as on the overall control of our production facilities in China, Macau, Malaysia, Myanmar, Bangladesh, Sri Lanka, Cambodia and Lesotho in Africa.

Exquisite Knitters (Guangzhou) Ltd. in Panyu, China operates a vertical setup factory from knitting, dyeing and finishing of fabrics to the manufacturing of garments – mainly high quality mercerized knitted polo shirts. Although the company has achieved another year of satisfactory results, we expect the year to come will be more difficult due to the continuous increase of manufacturing costs in Southern China and the decrease of selling prices.

Whampoa Garment Mfg. (Guangzhou) Co., Ltd. also in Panyu, China was set up in November, 2002 mainly for the manufacture of high quality men's and ladies woven shirts. As this factory is still in its establishment stage, the company does not expect it to be profitable in the coming year.

Our factory in Macau – Tac Cheong Lda., has been in operation for over 30 years and has been profitable until recently. Due to the continuous decline in selling prices, the factory could no longer produce a profit and its operation has been trimmed down drastically.

Our Malaysian factory – Yangtzekiang Industries Sdn. Bhd. has already closed several manufacturing plants and will continue to scale down its operation due to the high costs of manufacturing in Malaysia.

Our factory in Myanmar – Yangtzekiang Industries (Myanmar) Ltd. with over 180,000 sq. ft. of production space is one of the largest factories we have under one compound. It produces woven and knitted shirts mainly for export to Europe. The Myanmar operation has been profitable for the past few years. However we do anticipate a big drop in business from both Europe and the U.S.A. due to recent political events there which might lead to trade sanction against Myanmar.

Bangladesh remains an important area for us in woven shirts production. We have over a dozen factories that we have production agreements with. We have over 30 staffs in our Bangladesh office overseeing all this production and our products are mainly for the European market.

Hongkong Knitters Lanka (PVT) Ltd. in Sri Lanka incurred losses this year because of significantly lower prices orders received. We expect Sri Lanka will continue to make a loss this coming year due to the current high U.S. quota prices purchased from open market. Ironically we do expect our Lanka factory to be able to survive after 2005 when it will be quota free for shipments to the U.S.A. as the manufacturing costs in Sri Lanka are relatively lower than our other manufacturing facilities and we will no longer need to pay high premium on quota. In May, 2003 we acquired the rest of the shareholding in order to reorganize the company.

**GARMENT BUSINESS (Continued)**

Our factory in Cambodia – YGM (Cambodia) Ltd. started production in the year 2000 manufacturing woven bottoms as well as some polo shirts. We have shifted our production to produce more on high quality polo shirts for the U.S.A. market with higher profit margin than the woven bottoms that we were first set up for. We have not been profitable in Cambodia since beginning due to the country's high costs of manufacturing and continuous labour unrest.

H.K. International Knitters (Proprietary) Ltd. in Lesotho Africa was set up in 2002 to take advantage of its quota free status for garment export to the U.S.A. and import duties concession granted by the U.S. Government to Lesotho. However the productivity there is relatively lower and currently it is in a breakeven situation.

**OTHER BUSINESS**

As mentioned in the Chairman's Statement, all our investments have been profitable during the year.

We have increased our investment in spinning and weaving mill in Wuxi China. Wuxi Changxin Textile Co., Ltd. has recorded another year of good results. A new company by the name of Wuxi YGM Textile Co., Ltd. of which we own 70% has been established in Wuxi. This new company also has a spinning and weaving mill concentrating on the production of compact yarn for woven fabrics which the old joint venture company does not produce. We might consider in the next stage to establish a garment division there in anticipation of the quota free access after 2005. At the time of writing, our joint venture shareholder from local government is undergoing restructuring and as a result we might face some uncertainties in the change of shareholdings. However we will seek the best solution that is beneficial to our investment.

Qinghai Changqing Aluminium Corporation in Qinghai, China – an aluminium smelter has seen another profitable year. However in the coming year, we expect a slight decrease of profits due to the problem of power shortage and high raw material costs. Another problem that the company may confront is a probable litigation brought about by one of the joint venture partners who has defaulted in his loan in which the company has a bank cross guarantee. We shall closely monitor the case and hopefully our loss, if any, will be cut down to the minimum.

As reported previously, our Group now owns 87% of YangtzeKiang S.A. from 43% previously. YangtzeKiang S.A. had turned profitable this year mainly due to the surge of Euro currency exchange rate and the re-organization of the company that had resulted in the reduction of operating costs. In April, 2003, YangtzeKiang S.A. has acquired the label "JIL" – an old established underwear brand in France. We expect "JIL" to bring in further development for the company.

W. Haking Enterprises Ltd. – an optical instruments manufacturing company in Hong Kong and China reported a slight operational profit for the year. The company is currently developing a few optical products which, if all go as planned, will be out for sale in the open market in the coming year and operational profit is expected to come for the year 2004/2005. However the company has a negative goodwill of HK\$45 million which is to be dispensed in a period of 6 years, and thus the company will show a non-operational profit of HK\$7.5 million per year starting from the current year.

## LIQUIDITY AND FINANCIAL POSITION

During the year, the Group continued to finance its operations and capital expenditure through internally generated cash flow, bank borrowings and import and export-related banking facilities.

As at 31st March, 2003, the Group had cash and bank balances and bank borrowings of HK\$45 million (2002: HK\$50 million) and HK\$370 million respectively (2002: HK\$166 million). Gearing ratio of the Group which is expressed as a percentage of total bank borrowings to shareholders' funds was 102% (2002: 47%).

The Group's total bank borrowings increased by HK\$204 million and amounted to HK\$370 million as at 31st March, 2003. During the year under review, short term loans of RMB200 million were raised by a joint venture in PRC, Wuxi YGM Textile Co., Ltd., for financing its business development and plant and machinery under construction. The joint venture will refinance the loans into medium or long term bank borrowings, though it is currently benefited from low borrowing costs of short term loans. These loans are provided by PRC banks in Wuxi and guaranteed by an associate of the Group, Wuxi Changxin Textile Co., Ltd. The management believes that the joint venture can obtain sufficient bank facilities and financial resources for its future expansion. Other than the guarantee provided by Wuxi Changxin Textile Co., Ltd., the Group does not provided any further guarantee for the mentioned loans. The maximum potential liability to the Group is the net assets of this associate attributable to the Group.

The increase of Group's trade and other receivables and trade and other payables was mainly due to the consolidation of a subsidiary called Yangtzekiang S.A. after the increase of shareholdings from 43% to 87% during the period under review.

The Group adopts a prudent policy to hedge the fluctuation of exchange rates. Most of the operating activities are denominated in Hong Kong dollars or United States dollars. For those denominated in other currency, the Group has entered into some forward contracts to hedge its receivable denominated in foreign currency against the exchange rate fluctuation.

## EMPLOYMENT AND REMUNERATION POLICIES

As at 31st March, 2003, the Group, including its subsidiaries but excluding associates, employed approximately of 9,000 employees. Remuneration package is determined with reference to their performance and the prevailing salary levels in the market. In addition, the Group provides year end double pay, provident fund scheme, medical insurance and training to staff.

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31st March, 2003.

### PRINCIPAL ACTIVITIES

The principal activities of the Company are the manufacture and sale of garments and rental of properties. The principal activities and other particulars of the subsidiaries are set out on page 72.

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries during the financial year are set out in note 12 on the financial statements.

### FINANCIAL STATEMENTS

The profit of the Group for the year ended 31st March, 2003 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 17 to 73.

An interim dividend of HK2 cents (2002: HK2 cents) per share was paid on 14th January, 2003. The directors now recommend the payment of a final dividend of HK8 cents (2002: HK8 cents) per share in respect of the year ended 31st March, 2003.

### TRANSFER TO RESERVES

Profits attributable to shareholders, before dividends, of HK\$33,079,000 (2002: HK\$27,591,000) have been transferred to reserves.

### FIXED ASSETS

Details of additions to and other movements of fixed assets during the year are set out in note 14 on the financial statements.

### INVESTMENT PROPERTIES

Particulars of the Group's investment properties are set out in note 14 on the financial statements.

### BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group and the Company at 31st March, 2003 are set out in notes 27 and 28 on the financial statements.

Interest expenses of HK\$585,000 were capitalised by the Group during the year (2002: Nil).

### CHARITABLE DONATIONS

Donations made by the Group during the year amounted to HK\$342,000 (2002: HK\$85,000).

### MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's sales to the largest customer and to the five largest customers accounted for 12% and 34% of the Group's sales respectively. The aggregate amount of purchases attributable to the Group's five largest suppliers represented less than 30% of the Group's total purchases. None of the directors, their associates or any shareholder of the Company (which to the knowledge of the directors own more than 5% of the Company's issued share capital) had any interest (as defined in the Listing Rules) in the Group's five largest customers.



**REPORT OF THE DIRECTORS****DIRECTORS**

The present directors of the Company are listed on page 2.

On 10th April, 2003, Mr. Takashi Inoue resigned as Non-executive Director of the Company.

In accordance with provisions of Articles 95 and 104 of the Company's Articles of Association, Madam Chan Suk Man and Messrs Leung Hok Lim and Wong Lam, retire by rotation and, being eligible, offer themselves for re-election.

**DIRECTORS' SERVICE CONTRACTS**

No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

**DIRECTORS' INTERESTS IN CONTRACTS**

Apart from the connected transactions under Chapter 14 of the Listing Rules as set out in note 35(a), (b), (d) and (h), no contract of significance to which the Company or any of its subsidiaries was a party in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

**DIRECTORS' INTERESTS IN SHARES**

The directors who held office at 31st March, 2003 had the following interests in the issued share capital of the Company, its subsidiaries and other associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance) at that date as recorded in the register of directors' interests in shares:

Name of director	Ordinary shares of HK\$0.50 each			
	Personal interests	Family interests	Corporate interests	Other interests
Chan Sui Kau	4,216,464	2,666,236	3,740,820	(i)(a)
Chan Wing Fui, Peter	324,068	56,000	–	(i) & (ii)
Chan Wing Kee	1,174,416	138,904	–	(i) & (ii) & (iii)
Chan Wing To	1,956,036	–	–	(i) & (ii) & (iii)
Chan Wing Sun, Samuel	7,496	–	–	(i) & (ii)
Yeung Wing Tak	1,446,200	–	265,364	–
Chan Wing Chak, David	21,792	–	1,520,000	(i)(a) & (iii)
Chan Suk Ling, Shirley	1,152,544	16,000	–	(i)
Chan Suk Man	1,023,420	208	–	(i) & (iii)
Takashi Inoue	–	–	–	–
Leung Hok Lim	–	–	–	–
Wong Lam	–	–	–	–

**DIRECTORS' INTERESTS IN SHARES (Continued)**

- (i) (a) An aggregate of 19,827,808 shares of the Company were held under various trusts and companies established for the benefit of members of the Chan family including Messrs Chan Sui Kau, Chan Wing Fui Peter, Chan Wing Kee, Chan Wing To, Chan Wing Sun Samuel and Chan Wing Chak David, Madam Chan Suk Ling Shirley and Madam Chan Suk Man.
- (b) 34,595,908 shares of the Company were held by Joycome Limited, which is beneficially owned by certain directors of the Company, namely, Messrs Chan Wing Fui Peter, Chan Wing Kee, Chan Wing To and Chan Wing Sun Samuel, Madam Chan Suk Ling Shirley and Madam Chan Suk Man.
- (ii) 1,574,480 shares of the Company were held by Hearty Development Limited which is beneficially owned by Messrs Chan Wing Fui Peter, Chan Wing Kee, Chan Wing To and Chan Wing Sun Samuel.
- (iii) 1,589,000 shares of the Company were held by Super Team International Limited which is beneficially owned by Messrs Chan Wing Kee, Chan Wing To, Chan Wing Chak David, Madam Chan Suk Man and certain members of the Chan family.

**CONNECTED TRANSACTIONS**

Details of connected transactions under Chapter 14 of the Listing Rules are set out in notes 35(a), (b), (d) and (h) on the financial statements. In the opinion of the independent non-executive directors, these transactions were entered into by the Group:

- (i) in the ordinary and usual course of its business;
- (ii) either on normal commercial terms or where there is no available comparison, on terms that are fair and reasonable so far as the independent shareholders of the Company are concerned; and
- (iii) either in accordance with the terms of the agreements governing such transactions; or where there are no such agreements, on terms no less favourable than those available to or from (as appropriate) independent third parties.

**SUBSTANTIAL SHAREHOLDERS**

As at 31st March, 2003, the register required to be kept under Section 16(1) of the Securities (Disclosure of Interests) Ordinance showed that, other than the interests disclosed above in respect of the directors, the Company had not been notified of any interests representing 10% or more of the Company's issued share capital.

**PURCHASE, SALE OR REDEMPTION OF SHARES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31st March, 2003.

**REPORT OF THE DIRECTORS****RETIREMENT SCHEME**

Particulars of the retirement scheme of the Group are set out in note 13 on the financial statements.

**COMPLIANCE WITH THE CODE OF BEST PRACTICE**

The Company has complied with the Code of Best Practice as set out by The Stock Exchange of Hong Kong Limited in Appendix 14 to the Listing Rules throughout the year, except that the non-executive directors of the Company were not appointed for a specific term but are subject to rotation in Annual General Meeting pursuant to Articles 95 and 104 of the Company's Articles of Association.

**AUDIT COMMITTEE**

To comply with the revised Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited, the Company set up an audit committee (the "Committee") with written terms of reference, for the purpose of reviewing and providing supervision on the financial reporting process and internal control of the Group. The Committee comprises two independent non-executive directors.

**FIVE YEAR SUMMARY**

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 74 of the annual report.

**AUDITORS**

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board

**Chan Sui Kau**

*Chairman*

Hong Kong, 22nd July, 2003

**DIRECTORS*****Chan Sui Kau, GBS, OBE, JP***

Age 78. Mr Chan is the founder of our Group. He established YangtzeKiang Garment Mfg. Co., Ltd. in 1949 and is the Executive Chairman of the Group and YGM Trading Ltd. Mr. Chan was awarded the 2002 Gold Bauhinia Star and in 2001 he was being conferred upon by the Hong Kong Polytechnic University the Doctoral Degree of Business Administration. Mr Chan had been a member of The 8th & 9th People's Political Consultative Committee of the People's Republic of China, Chairman of Clothing Industry Training Authority since 1986, Honorary President of Hong Kong Woollen & Synthetic Knitting Manufacturers' Association, Ltd. since 1980, former Chairman of Textile Council of Hong Kong 1988-1994 and now Honorary Chairman, former President of Federation of Hong Kong Garment Manufacturers 1977-1988 and currently Life Honorary President, former member of Textile Advisory Board of Hong Kong 1971-1989 and Labour Advisory Board 1985-1995.

***Chan Wing Fui, Peter, MA***

Age 57. Received a Master's degree in Administrative Science from Yale University USA in 1969 and joined the Group in the same year. Appointed Director in 1971, Managing Director in 1980 and Vice Chairman of the Group and YGM Trading Ltd in 1987. Mr Chan has been actively involved in garment manufacturing and marketing in the Far East and the USA for over 25 years. He is the son of Mr Chan Sui Kau and the brother of Mr Chan Wing Sun Samuel and Ms Chan Suk Ling Shirley.

***Chan Wing Kee, GBS, OBE, JP***

Age 56. Received a Bachelor's degree in Industrial Engineering in 1970. Joined the Group in 1970 as Production Manager and later on as Sales Manager. Appointed Director in 1977 and Managing Director in 1987. He is also a Director of YGM Trading Ltd. Mr Chan has participated in many textile negotiations with the US and Europe for Hong Kong and Macau. He is a member of the Textile Advisory Board of Hong Kong, a member of Economic Council of Macau S.A.R.; Standing Committee Member of The People's Political Consultative Committee of the People's Republic of China; Deputy of the 8th and 9th National People's Congress of China; Ex-Committee Member of the Preparatory Committee for Hong Kong Special Administrative Region and Ex-Advisor of Hong Kong Affairs. He is the brother of Mr Chan Wing Chak David, Mr Chan Wing To and Ms Chan Suk Man.

***Chan Wing To, PhD***

Age 52. Joined YGM Singapore in 1978 and appointed Managing Director in 1980. Also appointed Director of the Group in 1983 and YGM Trading Ltd in 1987. He is the brother of Mr Chan Wing Chak David, Mr Chan Wing Kee and Ms Chan Suk Man.

***Chan Suk Man, MSc***

Age 55. Received Master of Science Degrees from the University of Windsor, Canada in 1973 and Case Western Reserve University USA in 1975. Joined the Group in 1976 and appointed Director in 1993. She is the sister of Mr Chan Wing Kee, Mr Chan Wing To and Mr Chan Wing Chak David.

**DIRECTORS AND MANAGEMENT*****Chan Wing Sun, Samuel, FCA***

Age 55. Received a Bachelor's degree from University of Manchester, United Kingdom in 1970 and qualified as a Chartered Accountant in 1973. Company Secretary of the Group from 1974 to 1988 and a Director since 1977. Appointed Managing Director of YGM Trading Ltd since 1987. He is the son of Mr Chan Sui Kau and the brother of Mr Chan Wing Fui Peter and Ms Chan Suk Ling Shirley.

***Yeung Wing Tak***

Age 82. Appointed Director in 1970. Mr Yeung is also the Managing Director of Yee Woo Loong Rice Trading Co Ltd and Perfekta Enterprises Ltd. He is an honorary citizen of Guangzhou, Kaozhou and Heshan.

***Chan Wing Chak, David***

Age 67. Joined the Group in 1960 and appointed director in 1970. He is the brother of Mr Chan Wing Kee, Mr Chan Wing To and Ms Chan Suk Man.

***Chan Suk Ling, Shirley***

Age 52. Received a Bachelor's degree from Trent University, United Kingdom in 1973. Joined the Group in 1973. Appointed Director of the Group in 1983 and Deputy Managing Director of YGM Trading Ltd in 1987. She has over 20 years' experience of management in the garment retail and wholesale business. She is a Member of the HKTDC Garment Advisory Committee and the Executive Committee Member of the Hong Kong Retail Management Association. She is the daughter of Mr Chan Sui Kau and the sister of Mr Chan Wing Fui Peter and Mr Chan Wing Sun Samuel.

***Leung Hok Lim, FCPA, CPA (Macau), FHKSA, CPA***

Age 68. An independent non-executive Director of the Company, Mr. Leung is the founding and senior partner of PKF (Formerly known as H. L. Leung & Co.), Certified Public Accountants. He obtained his fellowship with Hong Kong Society of Accountants in 1973. He is the vice chairman of the Business Enterprise Management Centre of the Hong Kong Management Association, a non-executive director of Beijing Hong Kong Exchange of Personnel Centre Limited. Mr. Leung is a member of the Chinese People's Political Consultative Commission of Hainan Province of People's Republic of China since 1993. In the business sector, Mr. Leung is a director or non-executive director respectively of a number of private and listed companies.

***Wong Lam, OBE, JP***

Age 84. Appointed as an independent non-executive Director in 1995. Mr Wong is a former member of the Legislative Council, Standing Committee Member of Chinese People's Political Consultative Conference of Dongguan. A Director of Lung Cheong International Holdings Ltd. and Hung Tung Paper Product Ltd.

**MANAGEMENT*****Lau Shing Choy***

Age 55. Received a Bachelor's degree from the Chinese University of Hong Kong in 1969, and a Doctor of Philosophy Degree from Case Western Reserve University, USA in 1978. Mr Lau joined the Group in 1978 to develop the China business. He is the Director of Hong Kong Knitters Ltd. He is the husband of Ms Chan Suk Man.

***So Ying Woon, Alan***

Age 53. Received a Bachelor's degree from the Chinese University of Hong Kong in 1974. Mr So joined the Group in 1974 and promoted to Sales Manager in 1976. He has been the General Manager since 1993.

***Leung Ming Wai, Alan***

Age 45. General Manager of Sales Department, obtained the diploma in Management Studies at Hong Kong Polytechnic University and Master Degree in Business Administration at University of East Asia, Macau. He joined the Company as Sales Manager in 1986.

***Chui Wai Ha, Catherine***

Age 41, obtained the Diploma in Management Studies at Hong Kong Polytechnic University. She has over 15 years' experience of management in the knit garment merchandising business. She joined our Hong Kong Knitters Ltd. as Sales Manager in 1994.

***Hui Sau Ling***

Age 37. Appointed as Financial Controller and Company Secretary of the Group in 2000. She is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Society of Accountants. She has 15 years' experience in auditing, accounting and business finance.

**OVERSEAS COMPANIES*****Rodney Stewart Curson***

Age 55. Mr Curson, a citizen of the United Kingdom, joined the Group in 1993 and was appointed Director/General Manager of our offshore subsidiary, YangtzeKiang Industries (Myanmar) Ltd. in 1994.

***Lo Hin Kwong, Henry***

Age 46. Received a Bachelor's degree from the University of Toronto, Canada in 1980 and worked in our Macau factory in the same year until 1987. He rejoined as Assistant General Manager in 1997.

***Poon Kwok Cheung***

Age 60. Worked in our Macau factory for 39 years since 1960. Mr Poon has been the Factory Manager in Macau since 1975.

**REPORT OF THE AUDITORS**

**AUDITORS' REPORT TO THE SHAREHOLDERS OF  
YANGTZEKIANG GARMENT MANUFACTURING COMPANY LIMITED**

*(Incorporated in Hong Kong with limited liability)*

We have audited the financial statements on pages 17 to 73 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

The Hong Kong Companies Ordinance requires the directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

**BASIS OF OPINION**

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

**OPINION**

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st March, 2003 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

**KPMG**

*Certified Public Accountants*

Hong Kong, 22nd July, 2003

02 / 03

## CONSOLIDATED INCOME STATEMENT

For the year ended 31st March, 2003

(Expressed in Hong Kong dollars)

	Note	2003 \$'000	2002 \$'000
<b>Turnover</b>	2	<b>1,238,363</b>	1,159,929
Cost of sales		<b>(1,039,303)</b>	(984,681)
		<b>199,060</b>	175,248
Other revenue	3	<b>14,081</b>	9,884
Other net income	3	<b>26,260</b>	16,343
Selling and distribution expenses		<b>(53,643)</b>	(38,459)
Administrative expenses		<b>(128,070)</b>	(106,197)
Other operating expenses		<b>(28,937)</b>	(18,502)
<b>Profit from operations</b>		<b>28,751</b>	38,317
Finance costs	4(a)	<b>(15,213)</b>	(17,346)
		<b>13,538</b>	20,971
Share of profits less losses of associates		<b>33,887</b>	20,950
<b>Profit from ordinary activities before taxation</b>	4	<b>47,425</b>	41,921
Taxation	5(a)	<b>(9,235)</b>	(10,520)
<b>Profit from ordinary activities after taxation</b>		<b>38,190</b>	31,401
Minority interests		<b>(5,111)</b>	(3,810)
<b>Profit attributable to shareholders</b>	8	<b>33,079</b>	27,591
<b>Dividends attributable to the year:</b>	9		
Interim dividend declared during the year		<b>2,805</b>	2,805
Final dividend proposed after the balance sheet date		<b>11,220</b>	11,220
		<b>14,025</b>	14,025
<b>Earnings per share</b>			
Basic	10	<b>\$0.24</b>	\$0.20

The notes on pages 24 to 73 form part of these financial statements.



## CONSOLIDATED BALANCE SHEET

02/03

At 31st March, 2003

(Expressed in Hong Kong dollars)

	Note	2003		2002	
		\$'000	\$'000	\$'000	\$'000
<b>Non-current assets</b>					
Fixed assets	14(a)		259,543		232,797
Construction in progress	15		341,607		2,401
Goodwill	16		4,875		9,351
Interest in associates	18		217,971		201,930
Permanent quota	19		–		–
Non-trading securities	20		1,053		1,449
Other investments	21		2,873		2,873
			<u>827,922</u>		<u>450,801</u>
<b>Current assets</b>					
Inventories	22	96,332		72,044	
Trade and other receivables	23	249,472		172,582	
Tax recoverable	5(b)	2,145		3,545	
Pledged deposits	24	141		–	
Cash and cash equivalents	25	44,541		49,872	
		<u>392,631</u>		<u>298,043</u>	
<b>Current liabilities</b>					
Trade and other payables	26	440,879		203,342	
Bank loans and overdrafts	27	278,106		72,212	
Tax payable	5(b)	5,197		1,878	
		<u>724,182</u>		<u>277,432</u>	
<b>Net current (liabilities)/assets</b>	29		<u>(331,551)</u>		<u>20,611</u>
<b>Total assets less current liabilities</b>			<u>496,371</u>		<u>471,412</u>
<b>Non-current liabilities</b>					
Bank loans	28	91,733		93,565	
Provision for long service payments	30	9,027		6,126	
			<u>100,760</u>		<u>99,691</u>
			<u>395,611</u>		<u>371,721</u>
<b>Minority interests</b>			<u>33,850</u>		<u>17,627</u>
<b>NET ASSETS</b>			<u><u>361,761</u></u>		<u><u>354,094</u></u>
<b>CAPITAL AND RESERVES</b>					
Share capital	31		70,123		70,123
Reserves	32(a)		291,638		283,971
			<u>361,761</u>		<u>354,094</u>

Approved and authorised for issue by the board of directors on 22nd July, 2003.

Chan Sui Kau

Chan Wing Kee

Directors

The notes on page 24 to 73 form part of these financial statements.

02/03

## BALANCE SHEET

At 31st March, 2003

(Expressed in Hong Kong dollars)

	Note	2003		2002	
		\$'000	\$'000	\$'000	\$'000
<b>Non-current assets</b>					
Fixed assets	14(b)		109,870		117,800
Interest in subsidiaries	17		227,254		214,716
Interest in associates	18		22,211		25,951
Permanent quota	19		–		–
Non-trading securities	20		1,053		1,449
Other investments	21		2,384		2,384
			<u>362,772</u>		<u>362,300</u>
<b>Current assets</b>					
Inventories	22		9,743		25,506
Trade and other receivables	23		179,391		129,169
Cash and cash equivalents	25		9,621		6,245
Tax recoverable	5(b)		–		1,352
			<u>198,755</u>		<u>162,272</u>
<b>Current liabilities</b>					
Trade and other payables	26		128,576		105,049
Bank loans and overdrafts	27		75,000		23,994
Tax payable	5(b)		526		–
			<u>204,102</u>		<u>129,043</u>
<b>Net current (liabilities)/assets</b>			<u>(5,347)</u>		<u>33,229</u>
<b>Total assets less current liabilities</b>			<u>357,425</u>		<u>395,529</u>
<b>Non-current liabilities</b>					
Bank loans	28		27,000		57,000
Provision for long service payments	30		5,063		3,331
			<u>32,063</u>		<u>60,331</u>
<b>NET ASSETS</b>			<u><u>325,362</u></u>		<u><u>335,198</u></u>
<b>CAPITAL AND RESERVES</b>					
Share capital	31		70,123		70,123
Reserves	32(b)		255,239		265,075
			<u><u>325,362</u></u>		<u><u>335,198</u></u>

Approved and authorised for issue by the board of directors on 22nd July, 2003.

Chan Sui Kau	)	
	)	
Chan Wing Kee	)	Directors
	)	
	)	

The notes on pages 24 to 73 form part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March, 2003

(Expressed in Hong Kong dollars)

	Note	2003 \$'000	2002 \$'000
Shareholders' equity at 1st April		<u>354,094</u>	<u>342,133</u>
Deficit on revaluation of:			
– investment properties	32(a)	(1,644)	(1,728)
– investments in securities	32(a)	(39)	(53)
Impairment losses on land and buildings	32(a)	(1,664)	–
Share of associate's revaluation surplus on investment properties	32(a)	157	895
Share of associate's exchange reserve	32(a)	(1,987)	–
Exchange differences on translation of the financial statements of foreign entities	32(a)	<u>679</u>	<u>2,650</u>
<b>Net (losses)/gains not recognised in the income statement</b>		<u>(4,498)</u>	<u>1,764</u>
Net profit for the year	32(a)	<u>33,079</u>	<u>27,591</u>
Dividends approved during the year	9	<u>(14,025)</u>	<u>(16,830)</u>
Movements in share capital:			
– Capital reduction on repurchase of the Company's shares	32(a)	–	(203)
– Share premium on repurchase of the Company's shares	32(a)	–	(361)
		<u>–</u>	<u>(564)</u>
Reserves transferred to the income statement on:			
– disposal of subsidiary	32(a)	(662)	–
– excluding subsidiaries under liquidation	32(a)	(6,227)	–
		<u>(6,889)</u>	<u>–</u>
Shareholders' equity at 31st March		<u><u>361,761</u></u>	<u><u>354,094</u></u>

The notes on pages 24 to 73 form part of these financial statements.

02 / 03

## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March, 2003

(Expressed in Hong Kong dollars)

	2003	2002
Note	\$'000	(restated) \$'000
<b>Operating activities</b>		
Profit from ordinary activities before taxation	47,425	41,921
Adjustments for:		
– Share of profits less losses of associates	(33,887)	(20,950)
– Depreciation	28,808	22,714
– Impairment losses on land and buildings reversed	–	(2,242)
– Impairment losses on investment securities	–	172
– Loss on disposal of subsidiary	712	–
– Gain on excluding subsidiaries under liquidation	(6,082)	–
– Loss/(gain) on disposal of fixed assets	521	(4,873)
– Net realised losses on disposal of non-trading securities	190	–
– Amortisation of positive goodwill	2,338	1,039
– Amortisation of negative goodwill	(494)	–
– Amortisation of permanent quota	–	659
– Amortisation of borrowing cost	333	333
– Interest expenses	15,213	17,346
– Interest income	(195)	(736)
– Dividend income from unlisted equity securities	(350)	(358)
– Foreign exchange (gain)/loss	(2,546)	1,592
<b>Operating profit before changes in working capital</b>	<b>51,986</b>	<b>56,617</b>
(Increase)/decrease in inventories	(10,427)	22,162
(Increase)/decrease in debtors, deposits and prepayments	(42,138)	28,246
(Increase)/decrease in bills receivable	(17,239)	24,442
Decrease/(increase) in amounts due from related companies	5,642	(3,765)
Increase in amounts due from associates	(2,527)	(21,656)
Increase/(decrease) in bills payable and trust receipt loans	66,261	(43,814)
Decrease in creditors and accrued charges	(17,367)	(15,883)
Increase/(decrease) in amounts due to related companies	40	(16)
Increase/(decrease) in amounts due to associates	16,804	(5,991)
Increase/(decrease) in provision for long service payments	2,901	(514)
<b>Cash generated from operations</b>	<b>53,936</b>	<b>39,828</b>
Tax paid		
– Hong Kong profits tax refunded/(paid), net	785	(11,061)
– Overseas tax paid	(3,010)	(2,447)
<b>Net cash from operating activities</b>	<b>51,711</b>	<b>26,320</b>

## CONSOLIDATED CASH FLOW STATEMENT

02 / 03

For the year ended 31st March, 2003

(Expressed in Hong Kong dollars)

	Note	2003 \$'000	2002 (restated) \$'000
<b>Investing activities</b>			
Payments for purchase of fixed assets		(71,818)	(32,194)
Proceeds from sales of fixed assets		2,413	6,797
Payments for construction in progress		(304,536)	(2,593)
Placement of pledged deposits		(141)	–
Proceeds from sales of non-trading securities		167	–
Purchase of other investments		–	(489)
Net cash inflow from acquisition of subsidiary	(a)	6,204	–
Payment for purchase of an associate		–	(37,390)
Proceeds from disposal of subsidiary	(b)	2,638	–
Interest received		195	736
Interest paid		(15,798)	(17,346)
Dividends received from associates		23,230	15,569
Dividend received from unlisted equity securities		350	358
Dividends paid		(14,025)	(16,830)
<b>Net cash used in investing activities</b>		<u>(371,121)</u>	<u>(83,382)</u>
<b>Financing activities</b>			
Advance from associate for construction in progress		74,332	–
Repayment of bank loans		(187,215)	(9,906)
New bank loans		418,431	96,129
Nominal value of shares repurchased		–	(203)
Premium paid on repurchase of shares		–	(361)
Repayment of loans to company controlled by directors		–	(17,639)
Capital contribution from minority shareholders		13,239	4,212
Proceed of government grant		22,446	–
<b>Net cash from financing activities</b>		<u>341,233</u>	<u>72,232</u>
<b>Net increase in cash and cash equivalents</b>		21,823	15,170
<b>Cash and cash equivalents at 1st April</b>		22,718	7,495
<b>Effect of foreign exchange rates changes</b>		–	53
<b>Cash and cash equivalents at 31st March</b>		<u>44,541</u>	<u>22,718</u>

## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March, 2003

*Notes:**(a) Acquisition of subsidiary*

On 1st July, 2002, the Group increased its equity interest in YangtzeKiang S.A. to 86.92% by acquiring an additional 43.76% equity interest with a consideration of Euro2.

**Net assets acquired**

Fixed assets	4,833
Inventories	13,861
Prepayments and deposits	2,947
Trade and other receivables	29,602
Cash and bank balances	6,204
Other payables	(53,315)
	<u>4,132</u>

Negative goodwill arising on consolidation

(2,632)

Interest in associate as at 1st July, 2002

(1,500)

Total of purchase price paid

—**Net cash inflow in respect of the purchase of subsidiary**

Cash and bank balances acquired

6,204*(b) Disposal of subsidiary*

During the year, the Group disposed of 100% equity interest in Trendairo Limited.

**Net assets disposed of**

Fixed assets	8,273
Trade and other payables	(4,923)
	<u>3,350</u>

Loss on disposal

(712)

Disposal proceeds

2,638**Net cash inflow in respect of the disposal of subsidiary**2,638*(c) Major non cash transaction*

The Group incurred payables of \$48,852,000 to equipment suppliers for additions of construction in progress and interest payables of \$223,000 to banks as at 31st March, 2003 (2002: Nil).

For the year ended 31st March, 2003

(Expressed in Hong Kong dollars)

## 1 SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

### (b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is historical cost modified by the revaluation of investment properties and land and buildings, and the marking to market of certain investments in securities as explained in the accounting policies set out below.

### (c) Subsidiaries and controlled enterprises

A subsidiary, in accordance with the Hong Kong Companies Ordinance, is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, or controls more than half the voting power, or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

An investment in a controlled subsidiary is consolidated into the consolidated financial statements, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Group, in which case, it is stated in the consolidated balance sheet at fair value with changes in fair value recognised in the consolidated income statement as they arise.

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 1(l)), unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Company, in which case, it is stated at fair value with changes in fair value recognised in the income statement as they arise.

**1 SIGNIFICANT ACCOUNTING POLICIES (Continued)****(d) Associates**

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the investor, in which case it is stated at fair value with changes in fair value recognised in the consolidated income statement as they arise. The consolidated income statement reflects the Group's share of the post-acquisition results of the associates for the year, including any amortisation of positive or negative goodwill charged or credited during the year in accordance with note 1(e). Where the associate has a financial year end other than 31st March, its latest audited financial statements made up to 31st December are used for equity accounting purposes.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the income statement.

In the Company's balance sheet, its investments in associates are stated at cost less impairment losses (see note 1(l)), unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the investor, in which case, it is stated at fair value with changes in fair value recognised in the income statement as they arise.

**(e) Goodwill**

Positive goodwill arising on consolidation represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable assets and liabilities acquired. In respect of controlled subsidiaries:

- for acquisitions before 1st April, 2001, positive goodwill is eliminated against reserves and is reduced by impairment losses (see note 1(l)); and
- for acquisitions on or after 1st April, 2001, positive goodwill is amortised to the consolidated income statement on a straight-line basis over its estimated useful life. Positive goodwill is stated in the consolidated balance sheet at cost less any accumulated amortisation and any impairment losses (see note 1(l)).



For the year ended 31st March, 2003

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (e) Goodwill (Continued)

In respect of acquisitions of associates, positive goodwill is amortised to the consolidated income statement on a straight-line basis over its estimated useful life. The cost of positive goodwill less any accumulated amortisation and any impairment losses (see note 1(l)) is included in the carrying amount of the interest in associates.

Negative goodwill arising on acquisitions of controlled subsidiaries and associates represents the excess of the Group's share of the fair value of the identifiable assets and liabilities acquired over the cost of the acquisition. Negative goodwill is accounted for as follows:

- for acquisitions before 1st April, 2001, negative goodwill is credited to a capital reserve; and
- for acquisitions on or after 1st April, 2001, to the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the consolidated income statement when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the consolidated income statement over the weighted average useful life of those non-monetary assets that are depreciable/amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the consolidated income statement.

In respect of any negative goodwill not yet recognised in the consolidated income statement:

- for controlled subsidiaries, such negative goodwill is shown in the consolidated balance sheet as a deduction from assets in the same balance sheet classification as positive goodwill; and
- for associates, such negative goodwill is included in the carrying amount of the interests in associates.

On disposal of a controlled subsidiary or an associate during the year, any attributable amount of purchased goodwill which has previously been dealt with as a movement on Group reserves is included in the calculation of the profit or loss on disposal.

**1 SIGNIFICANT ACCOUNTING POLICIES (Continued)****(f) Non-trading securities**

The Group's and the Company's policies for investments in non-trading securities other than investments in subsidiaries and associates are as follows:

- (i) Non-trading securities are stated in the balance sheet at fair value. Changes in fair value are recognised in the investment revaluation reserve until the security is sold, collected, or otherwise disposed of, or until there is objective evidence that the security is impaired, at which time the relevant cumulative gain or loss is transferred from the investment revaluation reserve to the income statement.
- (ii) Transfers from the investment revaluation reserve to the income statement as a result of impairments are reversed when the circumstances and events that led to the impairment cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.
- (iii) Profits or losses on disposal of investments in securities are determined as the difference between the estimated net disposal proceeds and the carrying amount of the investments and are accounted for in the income statement as they arise. The profit or loss includes any amount previously held in the investment revaluation reserve in respect of that security.

**(g) Other investments**

Other investments represent club debentures and are stated in the balance sheet at cost less any provisions for diminution in value as determined by the directors.

**(h) Fixed assets**

(i) Fixed assets are carried in the balance sheets on the following bases:

- investment properties with an unexpired lease term of more than 20 years are stated in the balance sheet at their open market value which is assessed annually by external qualified valuers;
- land and buildings held for own use are stated in the balance sheet at cost or valuation less accumulated depreciation (see note 1(i)) and impairment losses (see note 1(l)).

In preparing these financial statements, advantage has been taken of the transitional provisions set out in paragraph 80 of the Statement of Standard Accounting Practice 17 "Property, plant and equipment" issued by the Hong Kong Society of Accountants, with the effect that land and buildings have not been revalued to fair value at the balance sheet date. Such properties are stated at their carrying value and will not be revalued in future years; and

- plant, machinery and other fixed assets are stated in the balance sheet at cost less accumulated depreciation (see note 1(i)) and impairment losses (see note 1(l)).

For the year ended 31st March, 2003

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (h) Fixed assets (Continued)

- (ii) Changes arising on the revaluation of investment properties and land and buildings held for own use are generally dealt with in reserves. The only exceptions are as follows:
- when a deficit arises on revaluation, it will be charged to the income statement, if and to the extent that it exceeds the amount held in the reserve in respect of that same asset, or solely in the case of investment properties, the portfolio of investment properties, immediately prior to the revaluation; and
  - when a surplus arises on revaluation, it will be credited to the income statement, if and to the extent that a deficit on revaluation in respect of that same asset, or, solely in the case of investment properties, the portfolio of investment properties, had previously been charged to the income statement.
- (iii) Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.
- (iv) Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the income statement on the date of retirement or disposal. On disposal of an investment property, the related portion of surpluses or deficits previously taken to the investment properties revaluation reserve is also transferred to the income statement for the year. For all other fixed assets, any related revaluation surplus is transferred from the revaluation reserve to retained profits.

### (i) Amortisation and depreciation

- (i) No depreciation is provided on investment properties with an unexpired lease term of over 20 years or on freehold land.
- (ii) Depreciation is calculated to write off the cost or valuation of other fixed assets over their estimated useful lives as follows:
- leasehold land is depreciated on a straight-line basis over the remaining term of the lease;
  - land use rights are included under land and buildings and are amortised on a straight-line basis over a period of 50 years;
  - buildings are depreciated on a straight-line basis over their estimated useful lives of 10 to 40 years; and

**1 SIGNIFICANT ACCOUNTING POLICIES (Continued)****(i) Amortisation and depreciation (Continued)**

- other fixed assets are depreciated on a straight-line basis over the estimated useful lives as follows:

Plant and machinery	2.5% to 25% per annum
Other fixed assets	20% to 30% per annum

Effective from 1st April, 2002, the Group revised its estimates of the useful lives of certain plant and equipment from 10 years to 4-8 years. These changes were made, after taking account of commercial and technological obsolescence as well as normal wear and tear, to better reflect the estimated periods during which such assets will remain in service.

The change had the effect of increasing depreciation expense and reducing profit after taxation by approximately \$5,121,000 for the year ended 31st March, 2003. The change is expected to increase depreciation expense and reduce profit after taxation by approximately \$4,000,000 for each of the subsequent years until the assets are fully depreciated or disposed of.

**(j) Construction in progress**

Construction in progress is stated at cost, including interest capitalised if appropriate, less provision as is considered necessary by the directors.

**(k) Leased assets**

Leases of assets under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases.

**(i) Assets held for use in operating leases**

Where the Group leases out assets under operating leases, the assets are included in the balance sheet according to their nature and, where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in note 1(i) above. Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(l). Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 1(m)(ii) below.

**(ii) Operating lease charges**

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made.

For the year ended 31st March, 2003

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (I) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- fixed assets (other than properties carried at revalued amounts);
- investments in subsidiaries and associates (except for those accounted for at fair value under notes 1(c) and (d)); and
- positive goodwill (whether taken initially to reserves or recognised as an asset).

If any such indication exists, the asset's recoverable amount is estimated. For goodwill that is amortised over 20 years from initial recognition, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

#### (i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest Group of assets that generates cash inflows independently (i.e. a cash-generating unit).

#### (ii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

**1 SIGNIFICANT ACCOUNTING POLICIES (Continued)****(m) Revenue recognition**

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

**(i) Sale of goods**

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added or other sales taxes and is after deduction of any trade discounts.

**(ii) Rental income from operating leases**

Rental income receivable under operating leases is recognised in the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in the income statement as an integral part of the aggregate net lease payments receivable.

**(iii) Dividends**

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established. This is taken to be, for interim dividends, when the directors of the investee companies declare such dividends and for final dividends, when the shareholders of the investee companies at the general meeting approve the dividends proposed by the directors.
- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

**(iv) Interest income**

Interest income from bank deposits is accrued on a time-apportioned basis by reference to the principal outstanding and the rate applicable.

**(n) Government grant**

A government grant related to assets is recognised in the balance sheet as a reduction of costs of related assets when there is a reasonable assurance that it will be received and that the Group will comply with the conditions attaching to it. The grant is recognised as income over the life of a depreciable asset by way of a reduced depreciation charge.

For the year ended 31st March, 2003

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (o) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred directly in bringing the inventories to their present location and conditions.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### (p) Quota

Cost of acquisition of permanent quota is amortised on a straight-line basis over a period of three to five years.

Income and expense on temporary transfers of quota are dealt with in the income statement as they arise.

### (q) Deferred taxation

Deferred taxation is provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which are expected with reasonable probability to crystallise in the foreseeable future.

Future deferred tax benefits are not recognised unless their realisation is assured beyond reasonable doubt.

### (r) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange gains and losses are dealt with in the income statement.

The results of overseas subsidiaries and associates are translated into Hong Kong dollars at the average exchange rates for the year; balance sheet items are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting exchange differences are dealt with as movements in reserves.

**1 SIGNIFICANT ACCOUNTING POLICIES (Continued)****(s) Pre-operating costs**

Pre-operating costs are written off in the income statement when incurred.

**(t) Borrowing costs**

Borrowing costs are expensed in the income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditures for the asset are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

**(u) Cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

**(v) Employee benefits**

(i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and defined contribution plans, are recognised as an expense in the income statement as incurred. Particulars of the retirement schemes are set out in note 13 on the financial statements.



For the year ended 31st March, 2003

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (w) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company or Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### (x) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

### (y) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen geographical segment information as the primary reporting format and business segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and fixed assets. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses and minority interests.

**2 TURNOVER**

The principal activities of the Company are the manufacture and sale of garments and rental of properties. The principal activities and other particulars of the subsidiaries are set out on page 72.

Turnover represents the sales value of goods supplied to customers and rental income from external customers, including associates, and are analysed as follows:

	2003 \$'000	2002 \$'000
Manufacture and sale of garments	1,234,314	1,155,811
Property rental	4,049	4,118
	<u>1,238,363</u>	<u>1,159,929</u>

**3 OTHER REVENUE AND NET INCOME**

	2003 \$'000	2002 \$'000
<b>Other revenue</b>		
Commission income	5,228	6,313
Other income from reinvestment in associate	3,180	–
Dividend income from unlisted equity securities	350	358
Interest income	195	736
Management fee income	804	804
Sundry income	4,324	1,673
	<u>14,081</u>	<u>9,884</u>
<b>Other net income</b>		
Gain on disposal of quota	18,565	10,345
Loss on disposal of subsidiaries	(712)	–
Gain on excluding subsidiaries under liquidation	6,082	–
Net exchange gain/(loss)	3,888	(486)
Profit on sale of raw materials	1,705	1,975
Gain on disposal of land	247	4,415
(Loss)/gain on disposal of other fixed assets	(768)	458
Net claims paid	(5,546)	(2,282)
Net realised losses on disposal of non-trading securities	(190)	–
Others	2,989	1,918
	<u>26,260</u>	<u>16,343</u>

## NOTES ON THE FINANCIAL STATEMENTS

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For the year ended 31st March, 2003

**4 PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION**

Profit from ordinary activities before taxation is arrived at after charging/(crediting):

	<b>2003</b>	2002
	<b>\$'000</b>	\$'000
(a) Finance costs:		
Interest on bank loans repayable within five years (including bank charges)	<b>15,798</b>	17,346
Less: Borrowing costs capitalised*	<b>(585)</b>	–
	<b><u>15,213</u></b>	<u>17,346</u>
	<b><u><u>15,213</u></u></b>	<u><u>17,346</u></u>
(b) Staff costs:		
Salaries, wages and other benefits	<b>187,372</b>	186,322
Contributions to defined contribution retirement plans	<b>2,311</b>	3,717
Provision for long service payments	<b>3,210</b>	690
	<b><u>192,893</u></b>	<u>190,729</u>
	<b><u><u>192,893</u></u></b>	<u><u>190,729</u></u>
(c) Other items:		
Amortisation of positive goodwill	<b>2,338</b>	1,039
Amortisation of negative goodwill	<b>(494)</b>	–
Amortisation of negative goodwill included in share of profits less losses of associates	<b>(7,517)</b>	–
Amortisation of permanent quota	–	659
Auditors' remuneration	<b>1,536</b>	1,734
Cost of inventories*	<b>1,039,303</b>	984,681
Depreciation	<b>28,808</b>	22,714
Operating lease charges: minimum lease payments – property rentals	<b>5,746</b>	4,575
Rental receivable from investment properties less direct outgoings of \$1,257,000 (2002: \$1,114,000)	<b>(2,792)</b>	(3,004)
Impairment losses on land and buildings reversed	–	(2,242)
	<b><u><u>–</u></u></b>	<u><u>(2,242)</u></u>

\* Cost of inventories includes \$101,211,000 (2002: \$118,421,000) relating to staff costs, depreciation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above for each of these type of expenses.

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## NOTES ON THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

## 5 TAXATION

(a) Taxation in the consolidated income statement represents:

	2003 \$'000	2002 \$'000
Provision for Hong Kong Profits Tax for the year	7,675	3,816
Overprovision in respect of prior years	(625)	(749)
	<u>7,050</u>	<u>3,067</u>
Overseas taxation	(104)	2,851
	<u>6,946</u>	<u>5,918</u>
Share of associates' taxation	2,289	4,602
	<u>9,235</u>	<u>10,520</u>

The provision for Hong Kong Profits Tax is calculated at 16% (2002: 16%) of the estimated assessable profits for the year ended 31st March, 2003. Taxation for overseas subsidiaries and branches is similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

(b) Taxation in the balance sheets represents:

	The Group		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Provision for Hong Kong Profits Tax for the year	7,675	3,816	3,027	3,000
Provisional Profits Tax paid	(3,353)	(7,327)	(2,666)	(4,352)
	<u>4,322</u>	<u>(3,511)</u>	<u>361</u>	<u>(1,352)</u>
Provision/(tax recoverable) for overseas subsidiaries and branches				
– current year	(1,943)	1,512	103	–
– prior year	673	332	62	–
	<u>3,052</u>	<u>(1,667)</u>	<u>526</u>	<u>(1,352)</u>
Net tax payable/(recoverable)	<u>3,052</u>	<u>(1,667)</u>	<u>526</u>	<u>(1,352)</u>
Representing:				
Tax recoverable	(2,145)	(3,545)	–	(1,352)
Tax payable	5,197	1,878	526	–
	<u>3,052</u>	<u>(1,667)</u>	<u>526</u>	<u>(1,352)</u>

## NOTES ON THE FINANCIAL STATEMENTS

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For the year ended 31st March, 2003

**5 TAXATION (Continued)**

- (c) No provision for deferred taxation has been made as the net effect of all timing differences is immaterial.
- (d) No provision for deferred taxation has been made in respect of the revaluation surpluses arising on investment and other properties as the disposal of these assets at their carrying values would result in capital gains which the directors consider are not subject to any tax liability.

**6 DIRECTORS' REMUNERATION**

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	2003 \$'000	2002 \$'000
Fees	400	400
Salaries and other emoluments	7,597	7,597
Discretionary bonuses	3,005	3,355
Retirement scheme contributions	180	180
	<u>11,182</u>	<u>11,532</u>

The remuneration of the directors is within the following bands:

	Number of directors	
	2003	2002
\$Nil – \$1,000,000	8	8
\$1,500,001 – \$2,000,000	1	1
\$2,000,001 – \$2,500,000	2	1
\$2,500,001 – \$3,000,000	–	1
\$3,000,001 – \$3,500,000	–	–
\$3,500,001 – \$4,000,000	1	1
	<u>12</u>	<u>12</u>

Included in the directors' fees were fees of \$100,000 (2002: \$100,000) paid to independent non-executive directors during the year.

For the year ended 31st March, 2003

**7 INDIVIDUALS WITH HIGHEST EMOLUMENTS**

Of the five individuals with the highest emoluments, four (2002: four) are directors whose emoluments are disclosed in note 6. The emoluments in respect of the remaining individual are as follows:

	<b>2003</b>	2002
	<b>\$'000</b>	\$'000
Salaries and other emoluments	<b>956</b>	956
Discretionary bonuses	<b>415</b>	300
Retirement scheme contributions	<b>97</b>	97
	<hr/>	<hr/>
	<b>1,468</b>	1,353
	<hr/> <hr/>	<hr/> <hr/>

**8 PROFIT ATTRIBUTABLE TO SHAREHOLDERS**

The consolidated profit attributable to shareholders includes a profit of \$7,201,000 (2002: \$15,393,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit for the year:

	<b>2003</b>	2002
	<b>\$'000</b>	\$'000
Amount of consolidated profit attributable to shareholders dealt with in the Company's financial statements	<b>7,201</b>	15,393
Final dividends from subsidiaries attributable to the profits of the previous financial year, approved and paid during the year	<b>335</b>	326
	<hr/>	<hr/>
Company's profit for the year ( <i>note 32(b)</i> )	<b>7,536</b>	15,719
	<hr/> <hr/>	<hr/> <hr/>

## NOTES ON THE FINANCIAL STATEMENTS

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For the year ended 31st March, 2003

## 9 DIVIDENDS

## (a) Dividends attributable to the year

	2003 \$'000	2002 \$'000
Interim dividend declared and paid of \$0.02 (2002: \$0.02) per share	2,805	2,805
Final dividend proposed after the balance sheet date of \$0.08 (2002: \$0.08) per share	<u>11,220</u>	<u>11,220</u>
	<u><u>14,025</u></u>	<u><u>14,025</u></u>

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

## (b) Dividends attributable to the previous financial year, approved and paid during the year

	2003 \$'000	2002 \$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of \$0.08 per share (2002: \$0.10 per share)	<u>11,220</u>	<u>14,025</u>

## 10 EARNINGS PER SHARE

## (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of \$33,079,000 (2002: \$27,591,000) and the weighted average of 140,245,792 shares (2002: 140,311,800 shares) in issue during the year.

## (b) Diluted earnings per share

There were no dilutive potential ordinary shares in existence during the year ended 31st March, 2003 and therefore diluted earnings per share is not presented. During the year ended 31st March, 2002, full exercise of the subscription rights of share options granted would not result in a dilution of the earnings per share.

## 11 CHANGES IN ACCOUNTING POLICIES

### (i) Employee benefits

With effect from 1st April, 2002, the Group has adopted a new accounting policy as set out in note 1(v) to provide for liabilities in respect of the annual leave entitlement of its staff in order to comply with the Statement of Standard Accounting Practice 34 “Employee Benefits” issued by the Hong Kong Society of Accountants. The effect of this change in accounting policy is not material, and therefore, the opening balances have not been restated.

### (ii) Translation of financial statements of foreign enterprises

In prior years, the results of foreign enterprises were translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. With effect from 1st April, 2002, in order to comply with Statement of Standard Accounting Practice 11 (revised) “Foreign Currency Translation” issued by the Hong Kong Society of Accountants, the Group translates the results of foreign enterprises at the average exchange rate for the year. The effect of this change in accounting policy is not material, and therefore, the opening balances have not been restated.

## 12 SEGMENT REPORTING

Segment information is presented in respect of the Group’s geographical segments. Information relating to geographical segments based on the location of assets is chosen as the primary reporting format because this is more relevant to the Group in making operating and financial decisions.

### Geographical segments by the location of assets and by the location of customers

The Group’s business is managed on a worldwide basis, but participates in four principal economic environments classified by the location of assets. The assets identified in Hong Kong are used in the manufacture and sale of garments and property leasing activities. Assets identified in other areas are used in the manufacture and sale of garments.

The Group’s geographical segments are also classified according to the locations of customers. There are three customer-based geographical segments: Europe, North America and Asia Pacific.

When presenting information on the basis of geographical segment, segment information is based on the geographical location of assets unless otherwise stated. Segment revenue from external customers is further analysed by the geographical location of customers, where the location of customers is different from the location of assets and segment revenue is 10% or more of the Group’s total revenue from all external customers.



## NOTES ON THE FINANCIAL STATEMENTS

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For the year ended 31st March, 2003

## 12 SEGMENT REPORTING (Continued)

	Hong Kong		The PRC		Asia Pacific		Europe		Other		Inter-segment elimination		Unallocated		Consolidated	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
<b>Location of assets</b>																
Revenue from external customers	701,130	713,458	134,787	263,027	234,215	165,221	167,590	17,995	641	228	-	-	-	-	1,238,363	1,159,929
Inter-segment revenue	66,550	-	138,230	96,838	-	-	-	-	4,809	878	(209,589)	(97,716)	-	-	-	-
Other revenue	22,623	15,026	362	374	1,322	798	322	-	-	-	(11,093)	(7,408)	-	-	13,536	8,790
<b>Total revenue</b>	<b>790,303</b>	<b>728,484</b>	<b>273,379</b>	<b>360,239</b>	<b>235,537</b>	<b>166,019</b>	<b>167,912</b>	<b>17,995</b>	<b>5,450</b>	<b>1,106</b>	<b>(220,682)</b>	<b>(105,124)</b>	<b>-</b>	<b>-</b>	<b>1,251,899</b>	<b>1,168,719</b>
Segment result	53,408	30,373	(14,040)	16,463	(26,942)	(7,748)	21,698	(2,002)	(5,918)	137	-	-	545	1,094	28,751	38,317
Finance costs															(15,213)	(17,346)
Share of profits less losses of associates	8,926	(61)	32,956	24,869	(8,833)	(1,376)	838	(2,482)	-	-					33,887	20,950
Taxation															(9,235)	(10,520)
Minority interests															(5,111)	(3,810)
<b>Profit attributable to shareholders</b>															<b>33,079</b>	<b>27,591</b>
Depreciation and amortisation for the year	7,497	4,987	12,456	13,659	7,881	4,730	1,517	922	1,301	114					30,652	24,412

	Hong Kong		The PRC		Asia Pacific		Europe		Other		Consolidated	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Segment assets	232,751	199,037	543,550	201,957	105,246	96,363	94,539	12,485	5,324	2,580	981,410	512,422
Investment in associates	33,852	26,912	173,999	155,992	10,120	18,484	-	542	-	-	217,971	201,930
Unallocated assets											21,172	34,492
<b>Total assets</b>											<b>1,220,553</b>	<b>748,844</b>
Segment liabilities	181,435	142,585	180,046	56,287	15,142	6,327	72,394	4,118	889	152	449,906	209,469
Unallocated liabilities											375,036	167,654
<b>Total liabilities</b>											<b>824,942</b>	<b>377,123</b>
Capital expenditure incurred during the year	3,890	40,849	443,968	8,373	1,503	7,341	1,302	247	2,684	12,774	453,347	69,584

For the year ended 31st March, 2003

**12 SEGMENT REPORTING (Continued)**

Additional information concerning geographical segments:

	2003 \$'000	2002 \$'000
Revenue from external customers by the location of customers		
– Europe		
France	203,731	85,370
United Kingdom	183,004	258,080
Germany	89,510	140,457
Other European countries	222,146	255,495
– North America	340,209	238,378
– Asia Pacific	182,905	171,055
– Others	16,858	11,094
	<u>1,238,363</u>	<u>1,159,929</u>

As the Group's turnover and profits are almost entirely attributable to the manufacture and sale of garments, no analysis by business segment is provided.

**13 RETIREMENT BENEFITS SCHEME**

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. The MPF Scheme has operated since 1st December, 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group also operated a Mandatory Provident Fund Exempted ORSO retirement benefits scheme for those employees who were eligible to participate in the scheme. This scheme operated in a way similar to the MPF scheme, except that when an employee left the scheme prior to his/her interest in the Group's employee contributions vesting fully, the ongoing contributions payable by the Group were reduced by the relevant amount of forfeited employer's contributions or refunded to the employer. The amount of employer contributions forfeited during the year was immaterial.

The employees of the subsidiary in the People's Republic of China ("the PRC") are members of the state-sponsored retirement benefit scheme organised by the government in the PRC. The subsidiary is required to contribute, based on a certain percentage of payrolls, to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

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**13 RETIREMENT BENEFITS SCHEME (Continued)**

In addition, long service payments are also provided by the Group in accordance with Part VB of the Employment Ordinance based on the employees' service to date and current salary level for those employees who have been employed by the Group for at least 5 years. Effective from 1st April, 2002 after reviewing the present staff turnover rate, long service payments were provided for all employees who have been employed for at least 5 years instead of employees aged over 50 who have been employed for at least 5 years before 1st April, 2002. This change had the effect of increasing staff costs by approximately \$3,210,000 and reducing profit after taxation by approximately \$2,696,400 for the year ended 31st March, 2003. This change does not have significant effect on staff costs and profit after taxation in subsequent years. Movement of provision for long service payments are set out in note 30 on the financial statements.

**14 FIXED ASSETS****(a) The Group**

	Land and buildings	Investment properties	Plant and machinery	Other fixed assets	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Cost or valuation:</b>					
At 1st April, 2002	150,542	29,068	171,850	84,793	436,253
Exchange adjustments	993	–	814	927	2,734
Transfer from construction in progress ( <i>note 15</i> )	14,400	–	–	–	14,400
Additions					
– through acquisition					
of subsidiary	9,352	–	–	5,819	15,171
– others	28,231	–	32,549	11,038	71,818
Disposals					
– through disposal					
of subsidiary	(13,513)	–	(4,622)	(3,903)	(22,038)
– others	(213)	–	(6,594)	(546)	(7,353)
Government grant	(22,446)	–	–	–	(22,446)
Deficit on revaluation	–	(1,644)	–	–	(1,644)
<b>At 31st March, 2003</b>	<b>167,346</b>	<b>27,424</b>	<b>193,997</b>	<b>98,128</b>	<b>486,895</b>
<b>Representing:</b>					
Cost	87,351	–	193,997	98,128	379,476
Valuation					
– 1988	77,152	–	–	–	77,152
– 1991	2,843	–	–	–	2,843
– 2003	–	27,424	–	–	27,424
	<b>167,346</b>	<b>27,424</b>	<b>193,997</b>	<b>98,128</b>	<b>486,895</b>

## 14 FIXED ASSETS (Continued)

## (a) The Group (Continued)

	Land and buildings	Investment properties	Plant and machinery	Other fixed assets	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Aggregate amortisation and depreciation:</b>					
At 1st April, 2002	39,566	–	104,107	59,783	203,456
Exchange adjustments	503	–	60	707	1,270
Through acquisition of subsidiary	4,751	–	–	5,587	10,338
Charge for the year	5,573	–	15,781	7,454	28,808
Written back on disposal					
– through disposal of subsidiary	(5,808)	–	(4,055)	(3,902)	(13,765)
– others	(17)	–	(3,876)	(526)	(4,419)
Impairment losses	1,664	–	–	–	1,664
<b>At 31st March, 2003</b>	<b>46,232</b>	<b>–</b>	<b>112,017</b>	<b>69,103</b>	<b>227,352</b>
<b>Net book value:</b>					
<b>At 31st March, 2003</b>	<b>121,114</b>	<b>27,424</b>	<b>81,980</b>	<b>29,025</b>	<b>259,543</b>
At 31st March, 2002	110,976	29,068	67,743	25,010	232,797

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## 14 FIXED ASSETS (Continued)

## (b) The Company

	Land and buildings	Investment properties	Plant and machinery	Other fixed assets	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Cost or valuation:</b>					
At 1st April, 2002	86,995	29,068	30,560	47,744	194,367
Additions	–	–	301	2,669	2,970
Disposals	(132)	–	(4,525)	–	(4,657)
Deficit on revaluation	–	(1,644)	–	–	(1,644)
<b>At 31st March, 2003</b>	<b>86,863</b>	<b>27,424</b>	<b>26,336</b>	<b>50,413</b>	<b>191,036</b>
<b>Representing:</b>					
Cost	6,868	–	26,336	50,413	83,617
Valuation					
– 1988	77,152	–	–	–	77,152
– 1991	2,843	–	–	–	2,843
– 2003	–	27,424	–	–	27,424
	<b>86,863</b>	<b>27,424</b>	<b>26,336</b>	<b>50,413</b>	<b>191,036</b>
<b>Aggregate amortisation and depreciation:</b>					
At 1st April, 2002	16,814	–	26,159	33,594	76,567
Charge for the year	2,016	–	948	3,651	6,615
Impairment losses	1,664	–	–	–	1,664
Written back on disposal	–	–	(3,680)	–	(3,680)
<b>At 31st March, 2003</b>	<b>20,494</b>	<b>–</b>	<b>23,427</b>	<b>37,245</b>	<b>81,166</b>
<b>Net book value:</b>					
<b>At 31st March, 2003</b>	<b>66,369</b>	<b>27,424</b>	<b>2,909</b>	<b>13,168</b>	<b>109,870</b>
At 31st March, 2002	70,181	29,068	4,401	14,150	117,800

**14 FIXED ASSETS (Continued)**

- (c) The analysis of net book value of land and buildings and investment properties at 31st March, 2003 is as follows:

	Land and buildings		Investment properties		The Group and the Company	
	The Group		The Company		The Group and the Company	
	2003	2002	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Long term leases						
– outside Hong Kong	27,559	26,413	229	1,310	–	–
Medium term leases						
– in Hong Kong	44,876	48,227	44,876	48,227	27,424	29,068
– outside Hong Kong	27,415	14,013	–	–	–	–
Freehold						
– outside Hong Kong	21,264	22,323	21,264	20,644	–	–
	<u>121,114</u>	<u>110,976</u>	<u>66,369</u>	<u>70,181</u>	<u>27,424</u>	<u>29,068</u>

- (d) The net book value of the land and buildings stated at valuation in the balance sheets would have been as follows had the assets been carried at cost less accumulated depreciation:

	The Group		The Company	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Cost	123,537	106,733	43,054	43,186
Accumulated depreciation	(40,327)	(34,877)	(14,589)	(12,125)
	<u>83,210</u>	<u>71,856</u>	<u>28,465</u>	<u>31,061</u>

- (e) Land and buildings of the Group and the Company include \$229,000 (2002: \$361,000) relating to a piece of land in Macau. Pursuant to an agreement signed between the Company and an independent property developer dated 3rd November, 1998, the Company agreed to contribute the land for property development and the Company will be entitled to 53.5% of net operating results upon the completion of the property development. The property development was completed during the year ended 31st March, 2002. Part of the land with a carrying value of \$132,000 (2002: \$949,000) was disposed during the year.

## NOTES ON THE FINANCIAL STATEMENTS

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For the year ended 31st March, 2003

**14 FIXED ASSETS (Continued)**

- (f) Details of the Group's and the Company's investment properties, held for use in operating leases which are all held under medium term leases, are as follows:

Location	Existing use
22 and 24, Tai Yau Street, San Po Kong, Kowloon	Warehouse and office

The investment properties of the Group and the Company were valued at 31st March, 2003 by an independent firm of surveyors, Chesterton Petty Limited, on an open market basis. The revaluation deficit of \$1,644,000 has been taken directly to the investment properties revaluation reserve (note 32).

- (g) Based on a review of the carrying value of land and buildings performed by the directors, impairment losses on certain land and buildings of \$1,664,000 were made in order to reflect its recoverable amount as at 31st March, 2003. The impairment losses have been taken directly to the land and buildings revaluation reserve.
- (h) A subsidiary in the PRC has been awarded a government grant of \$22,446,000 during the year ended 31st March, 2003 (2002: Nil) for financing the acquisition of the land use right in the PRC. This government grant is deducted from the cost of land of \$27,434,000 in arriving at the carrying amount of land of \$4,988,000 as at 31st March, 2003. As the land is not in use during the year ended 31st March, 2003, no depreciation is charged to the income statement. Accordingly, no income in respect of the government grant is recognised during the year ended 31st March, 2003.

**15 CONSTRUCTION IN PROGRESS**

	The Group	
	2003 \$'000	2002 \$'000
At 1st April	2,401	–
Exchange adjustments	(5)	–
Additions	353,611	2,593
Transfer to fixed assets (note 14(a))	(14,400)	(192)
	<hr/>	<hr/>
At 31st March	<u>341,607</u>	<u>2,401</u>

## 16 GOODWILL

	Positive goodwill	Negative goodwill	Positive goodwill carried in reserves
	\$'000	\$'000	\$'000
<b>Cost:</b>			
At 1st April, 2002	10,390	–	45,987
Addition through acquisition of a subsidiary	–	(2,632)	–
Realisation from disposal of a subsidiary	–	–	174
	<u>10,390</u>	<u>(2,632)</u>	<u>46,161</u>
<b>At 31st March, 2003</b>	<u>10,390</u>	<u>(2,632)</u>	<u>46,161</u>
<b>Aggregate amortisation:</b>			
At 1st April, 2002	1,039	–	–
Amortisation for the year	2,338	(494)	–
	<u>3,377</u>	<u>(494)</u>	<u>–</u>
<b>At 31st March, 2003</b>	<u>3,377</u>	<u>(494)</u>	<u>–</u>
<b>Carrying amount:</b>			
<b>At 31st March, 2003</b>	<u>7,013</u>	<u>(2,138)</u>	<u>46,161</u>
At 31st March, 2002	<u>9,351</u>	<u>–</u>	<u>45,987</u>

Effective from 1st April, 2002, the Group revised its estimate of the useful life of positive goodwill from 10 years to 5 years. This change was made after taking account of future economic benefits that are expected to flow to the Group. The change had the effect of increasing amortisation expense and reducing profit after taxation by approximately \$1,299,000 for the year ended 31st March, 2003. The change is expected to increase amortisation expenses and reduce profit after taxation by approximately \$1,299,000 for each of the subsequent years until the positive goodwill is fully amortised.

Negative goodwill is recognised as income on a straight line basis over 4 years. The amortisation of positive and negative goodwill for the year is included in “other operating expenses” in the consolidated income statement.



## NOTES ON THE FINANCIAL STATEMENTS

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**17 INTEREST IN SUBSIDIARIES**

	<b>2003</b>	2002
	<b>\$'000</b>	\$'000
Unlisted investments, at cost	<b>47,222</b>	22,656
Amounts due from subsidiaries	<b>211,993</b>	224,830
	<b>259,215</b>	247,486
Amounts due to subsidiaries	<b>(3,461)</b>	(4,097)
	<b>255,754</b>	243,389
Less: Impairment losses	<b>(28,500)</b>	(28,673)
	<b>227,254</b>	214,716

Balances with subsidiaries are unsecured, not repayable within one year and is analysed as follows:

	<b>2003</b>	2002
	<b>\$'000</b>	\$'000
<b>Amounts due from subsidiaries</b>		
Interest free	<b>187,041</b>	199,936
Interest bearing at Hong Kong Prime Rate (2002: 6.5% per annum)	<b>24,952</b>	24,894
	<b>211,993</b>	224,830
<b>Amounts due to subsidiaries</b>		
Interest free	<b>(3,461)</b>	(4,097)

**17 INTEREST IN SUBSIDIARIES (Continued)**

At 1st July, 2002, the Group increased its interest in YangtzeKiang S.A. ("YSA") (previously known as YangtzeKiang Tomen S.A.) from 43.16% to 86.92% by acquiring shares from independent third parties for a consideration of Euro 2. The contribution to turnover and operating profit of the Group from 1st July, 2002 to 31st March, 2003 amounted to \$167,590,000 and \$19,413,000 respectively. Prior to the acquisition, YSA was an associate and the Group's share of its profits up to 30th June, 2002 is included in the Group's consolidated income statement on the equity accounting basis.

In May, 2002, Trendairo Limited, a subsidiary of the Group, was disposed of to an independent third parties for a consideration of \$2,638,000 resulting in a loss on disposal of subsidiary amounted to \$712,000 (note 3). No income was derived and no expenses were incurred by Trendairo Limited from 1st April, 2002 to the date of disposal.

In addition, the following subsidiaries were put into liquidation during the year:

- Tai Hu Trading Limited;
- Hongkong Texturisers Limited;
- Rose Dyers & Finishers Limited; and
- Rose Textile Industries (Singapore) Pte Ltd.

The directors consider that to include the above subsidiaries in the consolidated financial statements would be of no real value to the shareholders of the Group and would involved undue expenses and delays out of proportion to the value to the shareholders of the Group.

Details of the principal subsidiaries are set out on page 72.

## NOTES ON THE FINANCIAL STATEMENTS

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**18 INTEREST IN ASSOCIATES**

	The Group		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Unlisted investments, at cost	–	–	27,728	52,783
Less: Impairment losses	–	–	(5,517)	(26,832)
	–	–	22,211	25,951
Share of net assets	255,557	242,665	–	–
Negative goodwill	(37,586)	(40,735)	–	–
	<u>217,971</u>	<u>201,930</u>	<u>22,211</u>	<u>25,951</u>

Negative goodwill is amortised over the remaining weighted average useful life of the identifiable acquired depreciable assets. The calculation of the negative goodwill is based on the Group's share of the fair value of the identifiable assets and liabilities acquired as determined by the directors.

Details of the principal associates are set out on page 73.

**Information on material associates**

The financial information of the associates, Qinghai Changqing Aluminium Corporation and Wuxi Changxin Textile Co., Ltd. which are material in the context of the Group's financial statements, as extracted from the audited financial statements, after making such adjustments considered necessary by the Company's directors in order to comply with the Group's accounting policies, for the year ended 31st March, 2003 are summarised below:

For the year ended 31st March, 2003

**18 INTEREST IN ASSOCIATES (Continued)****Information on material associates (Continued)**

	Qinghai Changqing Aluminium Corporation		Wuxi Changxin Textile Co., Ltd.	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
<b>Income statement</b>				
<b>– year ended 31st March</b>				
<b>Turnover</b>	<b>436,391</b>	345,228	<b>798,534</b>	725,476
Cost of sales	<b>(361,477)</b>	(260,797)	<b>(694,628)</b>	(659,964)
	<b>74,914</b>	84,431	<b>103,906</b>	65,512
Other revenue	<b>353</b>	677	<b>5,546</b>	1,781
Other net income/(expenses)	<b>780</b>	(119)	–	–
Distribution costs	<b>(6,695)</b>	(4,515)	<b>(6,334)</b>	(3,042)
Administrative expenses	<b>(5,145)</b>	(6,464)	<b>(27,266)</b>	(25,084)
Other operating expenses	<b>(7,897)</b>	(12,853)	<b>(2,367)</b>	(2,509)
<b>Profit from operations</b>	<b>56,310</b>	61,157	<b>73,485</b>	36,658
Finance costs	<b>(14,591)</b>	(14,747)	<b>(15,795)</b>	(13,012)
<b>Profit from ordinary activities before taxation</b>	<b>41,719</b>	46,410	<b>57,690</b>	23,646
Taxation	<b>7,235</b>	(6,037)	<b>(15,654)</b>	(7,081)
<b>Profit from ordinary activities after taxation</b>	<b>48,954</b>	40,373	<b>42,036</b>	16,565
<b>Profit attributable to the Group</b>	<b>17,589</b>	14,506	<b>14,010</b>	5,521
<b>Balance sheet – 31st March</b>				
Non-current assets	<b>403,005</b>	359,931	<b>187,591</b>	259,716
Current assets	<b>204,195</b>	175,273	<b>439,865</b>	234,134
Current liabilities	<b>(321,422)</b>	(272,491)	<b>(340,325)</b>	(252,573)
Non-current liabilities	<b>(46,075)</b>	(71,599)	<b>(166,148)</b>	(101,558)
Net assets	<b>239,703</b>	191,114	<b>120,983</b>	139,719
<b>Net assets attributable to the Group</b>	<b>86,125</b>	68,667	<b>40,324</b>	46,568

For the year ended 31st March, 2003

**18 INTEREST IN ASSOCIATES (Continued)****Information on material associates (Continued)**

The financial information of the associate, W. Haking Enterprises Limited, which was acquired in March, 2002, as extracted from its latest audited financial statements for the year ended 31st December, 2002 are summarised below.

	<b>W. Haking Enterprises Limited</b>
	<i>\$'000</i>
<b>Income statement</b>	
– year ended 31st December, 2002	
<b>Turnover</b>	105,542
Cost of sales	(89,994)
	<hr/>
	15,548
Other revenue	1,150
Other net income	6,120
Gain on disposal of fixed assets	7,019
Negative goodwill recognised	13,778
Distribution costs	(2,687)
Administrative expenses	(39,759)
Other operating expenses	(1,051)
	<hr/>
<b>Profit from operations</b>	118
Finance costs	(277)
	<hr/>
<b>Loss from ordinary activities before taxation</b>	(159)
Taxation	–
	<hr/>
<b>Loss for the year</b>	<u>(159)</u>
<b>Profit attributable to the Group</b>	<u>1,537</u>
<b>Balance sheet – 31st December, 2002</b>	
Non-current assets	213,877
Current assets	167,433
Current liabilities	(93,109)
Non-current liabilities	(17,649)
	<hr/>
Net assets	<u>270,552</u>
<b>Net assets attributable to the Group</b>	<u>37,204</u>

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**19 PERMANENT QUOTA**

	The Group		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
<b>Cost:</b>				
At 1st April and 31st March	<u>13,144</u>	<u>13,144</u>	<u>9,002</u>	<u>9,002</u>
<b>Accumulated amortisation:</b>				
At 1st April	13,144	12,485	9,002	9,002
Charge for the year	<u>—</u>	<u>659</u>	<u>—</u>	<u>—</u>
At 31st March	<u>13,144</u>	<u>13,144</u>	<u>9,002</u>	<u>9,002</u>
<b>Net book value:</b>				
At 31st March	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

Amortisation of permanent quota is included under “other operating expenses” in the consolidated income statement for the year ended 31st March, 2002.

**20 NON-TRADING SECURITIES**

	The Group		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Unlisted equity securities	895	1,233	895	1,233
Listed equity securities outside Hong Kong	<u>158</u>	<u>216</u>	<u>158</u>	<u>216</u>
	<u>1,053</u>	<u>1,449</u>	<u>1,053</u>	<u>1,449</u>
Market value of listed equity securities	<u>158</u>	<u>216</u>	<u>158</u>	<u>216</u>

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**21 OTHER INVESTMENTS**

	The Group		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Club debentures, at cost	<u>2,873</u>	<u>2,873</u>	<u>2,384</u>	<u>2,384</u>

**22 INVENTORIES**

	The Group		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Raw materials	14,240	22,481	1,452	10,261
Work in progress	45,745	37,884	7,210	11,449
Finished goods	21,568	7,156	1,065	3,511
Goods in transit	<u>14,779</u>	<u>4,523</u>	<u>16</u>	<u>285</u>
	<u>96,332</u>	<u>72,044</u>	<u>9,743</u>	<u>25,506</u>

Amounts included the Group's and the Company's inventories of \$12,382,000 (2002: \$11,238,000) and \$2,491,000 (2002: \$4,474,000) are stated net of a specific provision of \$20,935,000 (2002: \$16,994,000) and \$7,251,000 (2002: \$8,874,000) respectively. In addition, there is a general provision made against the remaining inventories of the Group and the Company of \$22,011,000 (2002: \$15,784,000) and \$5,664,000 (2002: \$5,134,000) respectively. These provisions were made in order to state these inventories at the lower of their cost and estimated net realisable value. The amount of reversal of a write-down of inventories to estimated net realisable value, recognised in the consolidated income statement as a reduction in the amount of inventories recognised as an expense during the year, is \$2,656,000 (2002: \$4,754,000). This reversal arose due to an increase in the estimated net realisable value of certain garments as a result of a change in consumer preferences.

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**23 TRADE AND OTHER RECEIVABLES**

	The Group		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Trade debtors	96,078	27,111	23,701	4,967
Deposits, prepayments and other debtors	41,855	36,135	1,596	5,136
Bills receivable	62,978	45,739	26,198	38,254
Amounts due from related companies	3,517	9,159	322	431
Amounts due from associates	26,017	23,490	846	211
Amounts due from subsidiaries	–	–	126,728	80,170
Dividends receivable from associates	19,027	30,948	–	–
	<u>249,472</u>	<u>172,582</u>	<u>179,391</u>	<u>129,169</u>

The amounts due from related companies and associates are unsecured, interest-free and repayable on demand.

Amounts due from subsidiaries are unsecured, repayable on demand and interest free except an amount of \$69,516,000 (2002: \$28,105,000) which is interest bearing at Hong Kong Prime Rate (2002: 6.5% per annum)

All of the trade and other receivables, apart from the rental and utility deposits amounting to \$238,000 (2002: \$229,000), are expected to be recovered within one year.

Included in trade and other receivables are trade debtors and bills receivable (net of provisions for bad and doubtful debts) with the following ageing analysis:

	The Group		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
0 – 60 days	154,153	59,297	49,415	38,085
61 – 90 days	1,823	2,075	403	1,464
> 90 days	3,080	11,478	81	3,672
	<u>159,056</u>	<u>72,850</u>	<u>49,899</u>	<u>43,221</u>
Trade debtors and bills receivable	<u>159,056</u>	<u>72,850</u>	<u>49,899</u>	<u>43,221</u>

The credit terms given to trade debtors vary and are generally based on the financial strengths of individual debtors. In order to effectively manage the credit risks associated with trade debtors, credit evaluation of debtors are performed periodically.



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**24 PLEDGED DEPOSITS**

Pledged deposits represents deposits pledged in designated banks for the letter of credit facilities granted to the Group amounting to Euro3,267,000 (Equivalent to \$27,176,000) as at 31st March, 2003 (2002: Nil).

**25 CASH AND CASH EQUIVALENTS**

	The Group		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Deposits with banks	1,335	16,129	–	–
Cash at bank and in hand	43,206	33,743	9,621	6,245
Cash and cash equivalents in the balance sheet	44,541	49,872	9,621	6,245
Bank overdraft (note 27)	–	(27,154)	–	–
Cash and cash equivalents in the cash flow statement	44,541	22,718	–	–

**26 TRADE AND OTHER PAYABLES**

	The Group		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Bills payable and trust receipt loans	108,256	41,995	54,788	37,116
Trade creditors	95,212	71,210	18,868	37,685
Accrued charges and other creditors	95,947	88,924	31,997	21,888
Payable for construction in progress (note 29)	49,075	–	–	–
Amounts due to related companies	851	811	150	152
Amounts due to associates	17,206	402	354	285
Advance from associate for construction in progress (note 29)	74,332	–	–	–
Amounts due to subsidiaries	–	–	22,419	7,923
	440,879	203,342	128,576	105,049

The amounts and advance due to related companies and associates are unsecured, interest-free and repayable on demand.

The amounts due to subsidiaries are unsecured, repayable on demand and interest-free except an amount of \$2,671,000 (2002: \$694,000) which is interest bearing at Hong Kong Prime Rate (2002: 6.5% per annum).

All of the trade and other payables are expected to be settled within one year.

For the year ended 31st March, 2003

**26 TRADE AND OTHER PAYABLES (Continued)**

Included in trade and other payables are trade creditors with the following ageing analysis:

	The Group		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
0 – 60 days	83,672	45,747	17,959	33,667
61 – 90 days	7,618	16,375	167	1,765
> 90 days	3,922	9,088	742	2,253
	<u>95,212</u>	<u>71,210</u>	<u>18,868</u>	<u>37,685</u>
Trade creditors	<u>95,212</u>	<u>71,210</u>	<u>18,868</u>	<u>37,685</u>

**27 BANK LOANS AND OVERDRAFTS**

At 31st March, 2003, the bank loans and overdrafts were repayable as follows:

	The Group		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Within 1 year or on demand	278,106	72,212	75,000	23,994
After 1 year but within 2 years	44,500	51,672	27,000	30,000
After 2 years but within 5 years	47,233	41,893	–	27,000
	<u>91,733</u>	<u>93,565</u>	<u>27,000</u>	<u>57,000</u>
	<u>369,839</u>	<u>165,777</u>	<u>102,000</u>	<u>80,994</u>

At 31st March, 2003, the bank loans and overdrafts were secured as follows:

	The Group		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Bank overdrafts				
– secured	–	17,734	–	–
– unsecured	–	9,420	–	3,994
Bank loans				
– secured	–	2,223	–	–
– unsecured	369,839	136,400	102,000	77,000
	<u>369,839</u>	<u>165,777</u>	<u>102,000</u>	<u>80,994</u>

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**27 BANK LOANS AND OVERDRAFTS (Continued)**

Short term bank loans amounting to \$187,806,000 (2002: Nil) as at 31st March, 2003 are guaranteed by an associate, Wuxi Changxin Textile Co., Ltd. (note 29).

The secured bank loans and overdrafts of the Group as at 31st March, 2002 are secured by a floating charge over all the assets of the subsidiary, Trendairo Limited, which has been disposed of during the year ended 31st March, 2003.

**28 NON-CURRENT BANK LOANS**

	The Group		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Bank loans (note 27)				
– secured	–	–	–	–
– unsecured	91,733	93,565	27,000	57,000
	<u>91,733</u>	<u>93,565</u>	<u>27,000</u>	<u>57,000</u>
	<u><u>91,733</u></u>	<u><u>93,565</u></u>	<u><u>27,000</u></u>	<u><u>57,000</u></u>

**29 NET CURRENT (LIABILITIES)/ASSETS**

The following current liabilities were incurred by a newly set-up subsidiary, Wuxi YGM Textile Co., Ltd., during the year ended 31st March, 2003 for its construction in progress:

	\$'000
Payables for construction in progress (note 26)	49,075
Advance from associate for construction payments (note 26)	74,332
Short-term bank loans (note 27)	<u>187,806</u>
	<u><u>311,213</u></u>

Subsequent to year end, payables for construction in progress and advance from associate for construction payments in a total of \$123,407,000 were re-financed by short-term bank loans. The directors are now negotiating with banks to re-finance the short-term bank loans in connection with the construction in progress of Wuxi YGM Textile Co., Ltd. to medium or long-term bank loans. In addition, commitments for construction in progress in a total of \$59,424,000 as at 31st March, 2003 will also be financed by bank loans (note 33(a)). All the outstanding bank loans are guaranteed by an associate, Wuxi Changxin Textile Co., Ltd.

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## NOTES ON THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

## 30 PROVISION FOR LONG SERVICE PAYMENTS

	The Group		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
At 1st April	6,126	6,640	3,331	3,503
Add: Provision for the year	3,210	690	1,799	–
	<u>9,336</u>	<u>7,330</u>	<u>5,130</u>	<u>3,503</u>
Less: Payments during the year	(309)	(1,204)	(67)	(172)
At 31st March	<u>9,027</u>	<u>6,126</u>	<u>5,063</u>	<u>3,331</u>

## 31 SHARE CAPITAL

	2003		2002	
	No. of shares '000	Amount \$'000	No. of shares '000	Amount \$'000
<b>Authorised:</b>				
Ordinary shares of \$0.50 each	<u>200,000</u>	<u>100,000</u>	<u>200,000</u>	<u>100,000</u>
<b>Issued and fully paid:</b>				
At 1st April	140,246	70,123	140,652	70,326
Shares repurchased during the year	–	–	(406)	(203)
At 31st March	<u>140,246</u>	<u>70,123</u>	<u>140,246</u>	<u>70,123</u>

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## 32 RESERVES

## (a) The Group

	Share premium	Capital redemption reserve	Exchange reserve	Goodwill arising on consolidation	Investment revaluation reserve	Land and buildings revaluation reserve	Investment properties revaluation reserve	General reserve	Retained profits	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 1st April, 2001	13,731	278	(12,460)	(45,987)	92	52,921	31,673	1,562	229,997	271,807
Dividend approved in respect of the previous year	-	-	-	-	-	-	-	-	(14,025)	(14,025)
Capital reduction on repurchase of the company's shares	-	203	-	-	-	-	-	-	(203)	-
Share premium on repurchase of the company's shares	-	-	-	-	-	-	-	-	(361)	(361)
Exchange differences on translation of financial statements of overseas subsidiaries	-	-	2,650	-	-	-	-	-	-	2,650
Revaluation deficit	-	-	-	-	(53)	-	(1,728)	-	-	(1,781)
Share of associate's revaluation surplus	-	-	-	-	-	-	895	-	-	895
Profit for the year	-	-	-	-	-	-	-	-	27,591	27,591
Dividend declared in respect of the current year	-	-	-	-	-	-	-	-	(2,805)	(2,805)
Appropriation to general reserve	-	-	-	-	-	-	-	476	(476)	-
As at 31st March, 2002	<u>13,731</u>	<u>481</u>	<u>(9,810)</u>	<u>(45,987)</u>	<u>39</u>	<u>52,921</u>	<u>30,840</u>	<u>2,038</u>	<u>239,718</u>	<u>283,971</u>
As at 1st April, 2002	13,731	481	(9,810)	(45,987)	39	52,921	30,840	2,038	239,718	283,971
Dividend approved in respect of the previous year	-	-	-	-	-	-	-	-	(11,220)	(11,220)
Exchange differences on translation of financial statements of overseas subsidiaries	-	-	679	-	-	-	-	-	-	679
Revaluation deficit	-	-	-	-	(39)	-	(1,644)	-	-	(1,683)
Share of associate's revaluation surplus	-	-	-	-	-	-	157	-	-	157
Share of associate's exchange reserve	-	-	(1,987)	-	-	-	-	-	-	(1,987)
Impairment loss	-	-	-	-	-	(1,664)	-	-	-	(1,664)
Disposal of subsidiary	-	-	(662)	-	-	-	-	-	-	(662)
Excluding subsidiaries under liquidation	-	-	(6,053)	(174)	-	-	-	-	-	(6,227)
Profit for the year	-	-	-	-	-	-	-	-	33,079	33,079
Dividend declared for the year	-	-	-	-	-	-	-	-	(2,805)	(2,805)
Appropriation to general reserve	-	-	-	-	-	-	-	378	(378)	-
As at 31st March, 2003	<u>13,731</u>	<u>481</u>	<u>(17,833)</u>	<u>(46,161)</u>	<u>-</u>	<u>51,257</u>	<u>29,353</u>	<u>2,416</u>	<u>258,394</u>	<u>291,638</u>

**32 RESERVES (Continued)****(a) The Group (Continued)**

Included in the Group's retained profits is a net loss of \$12,116,000 (2002: \$36,930,000) being the Group's share of accumulated losses less profits attributable to the associates.

In accordance with the relevant PRC laws applicable to wholly foreign owned enterprises, the PRC subsidiary is required to make, appropriations of at least 10% of its after-tax profit, determined under the relevant PRC accounting regulations to the general reserve. The general reserve can be used to make good losses and to convert into paid-up capital.

**(b) The Company**

	Share premium \$'000	Capital redemption reserve \$'000	Investment revaluation reserve \$'000	Land and buildings revaluation reserve \$'000	Investment properties revaluation reserve \$'000	Retained profits \$'000	Total \$'000
At 1st April, 2001	13,731	278	92	52,921	30,026	171,280	268,328
Dividend approved in respect of the previous year	-	-	-	-	-	(14,025)	(14,025)
Capital reduction on repurchase of the company's shares	-	203	-	-	-	(203)	-
Share premium on repurchase of the company's shares	-	-	-	-	-	(361)	(361)
Revaluation deficit	-	-	(53)	-	(1,728)	-	(1,781)
Profit for the year	-	-	-	-	-	15,719	15,719
Dividend declared for the year	-	-	-	-	-	(2,805)	(2,805)
At 31st March, 2002	<u>13,731</u>	<u>481</u>	<u>39</u>	<u>52,921</u>	<u>28,298</u>	<u>169,605</u>	<u>265,075</u>
At 1st April, 2002	13,731	481	39	52,921	28,298	169,605	265,075
Dividend approved in respect of the previous year	-	-	-	-	-	(11,220)	(11,220)
Impairment	-	-	-	(1,664)	-	-	(1,664)
Revaluation deficit	-	-	(39)	-	(1,644)	-	(1,683)
Profit for the year	-	-	-	-	-	7,536	7,536
Dividend declared for the year	-	-	-	-	-	(2,805)	(2,805)
At 31st March, 2003	<u>13,731</u>	<u>481</u>	<u>-</u>	<u>51,257</u>	<u>26,654</u>	<u>163,116</u>	<u>255,239</u>

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For the year ended 31st March, 2003

**32 RESERVES (Continued)****(b) The Company (Continued)**

The revaluation reserves in respect of investments, investment properties and land and buildings are not available for distribution to shareholders because they do not constitute realized profits within the meaning of section 79B(2) of the Hong Kong Companies Ordinance.

The distributable reserves of the Company as at 31st March, 2003 were \$163,116,000 (2002: \$169,605,000).

**33 COMMITMENTS**

- (a) Capital commitments outstanding at 31st March, 2003 not provided for in the financial statements were as follows:

	<b>The Group</b>	
	<b>2003</b>	2002
	<b>\$'000</b>	\$'000
Contracted for		
– construction in progress (note 29)	<b>51,337</b>	–
– fixed assets	<b>230</b>	5,645
– capital contribution to subsidiary	<b>49,095</b>	55,692
– capital contribution to associate	<b>6,630</b>	–
	<u><b>107,292</b></u>	<u>61,337</u>
Authorised but not contracted for		
– construction in progress (note 29)	<u><b>8,087</b></u>	–
	<u><b>115,379</b></u>	<u>61,337</u>

The Group's share of the capital commitments of associates outstanding at 31st March, 2003 were as follows:

	<b>The Group</b>	
	<b>2003</b>	2002
	<b>\$'000</b>	\$'000
Authorised but not contracted for	<b>138</b>	32,022
Contracted but not provided for	<b>864</b>	8,091
	<u><b>1,002</b></u>	<u>40,113</u>

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**33 COMMITMENTS (Continued)**

- (b) At 31st March, 2003, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	<b>The Group</b>	
	<b>2003</b>	2002
	<b>\$'000</b>	\$'000
Within 1 year	722	820
After 1 year but within 2 years	527	671
After 2 years but within 5 years	351	1,478
More than 5 years	8,221	8,222
	<u>9,821</u>	<u>11,191</u>

- (c) At 31st March, 2003, the Group's share of the total future minimum lease payments under non-cancellable operating leases of associates are payable as follows:

	<b>The Group</b>	
	<b>2003</b>	2002
	<b>\$'000</b>	\$'000
Within 1 year	1,393	1,150
After 1 year but within 2 years	2,331	1,150
After 2 years but within 5 years	–	2,013
	<u>3,724</u>	<u>4,313</u>

- (d) At 31st March, 2003, the Group and the Company had commitments in respect of outstanding foreign exchange forward contracts amounting to \$47,981,000 (2002: Nil), which were non-speculative hedges of the Group and the Company's foreign currency denominated trade receivables.



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**34 CONTINGENT LIABILITIES**

At 31st March, 2003, there were contingent liabilities in respect of the following:

- (a) Bills discounted with banks amounting to approximately \$148,764,000 (2002: \$128,568,000) for the Group and \$77,622,000 (2002: \$59,129,000) for the Company.
- (b) Guarantees given to banks by the Company to the extent of \$55,628,000 (2002: \$123,157,000) in respect of banking facilities extended to its subsidiaries and associates.
- (c) Guarantees were given by an associate in respect of bank loans to a third party shareholder of the associate to the extent of \$94,030,000. The Group's share of these guarantees amounted to \$33,785,000. During the year ended 31st March, 2003, bank loans of \$12,224,000 were repaid by the associate on behalf of its shareholder. Share of provision by the Group due to these bank loan repayments made by the associate amounted to \$4,392,000 has been included in the Group's consolidated income statement. The directors consider that it is unlikely for the associate to incur further liabilities in respect of these guarantees and no further provision in this regard is required.

**35 MATERIAL RELATED PARTY TRANSACTIONS**

The following material transactions with related parties were, in the opinion of the directors, carried out in the ordinary course of business and on normal commercial terms:

- (a) Transactions with and income from YGM Trading Limited and its subsidiaries ("YGMT Group"). (Certain directors of the Company are collectively the controlling shareholders of both the YGMT Group and the Group):

	2003 \$'000	2002 \$'000
Purchases of traded products	65	89
Sales of traded products	10,585	13,496
Rental income from properties	3,904	4,009
Management fee income	804	804
Building management fee income	324	332
Commission expenses paid	—	46
	<u>          </u>	<u>          </u>

Purchases and sales of traded products and rental transactions were in the opinion of the directors, carried out on prices and terms comparable to those offered to or by independent third parties. The management fees were charged for administrative, business strategy, personnel, legal and company secretarial work, accounting and management services provided, which were determined annually between the respective parties after negotiations having regard to the cost of services provided.

	2003 \$'000	2002 \$'000
Amount due from YGMT Group	3,517	9,159
Amount due to YGMT Group	<u>(275)</u>	<u>(23)</u>

For the year ended 31st March, 2003

**35 MATERIAL RELATED PARTY TRANSACTIONS (Continued)**

- (b) Transactions with YGM Marketing Pte Limited, which is beneficially owned by certain directors of the Company:

	2003 \$'000	2002 \$'000
Purchases of traded products	–	423
Sales of traded products	<u>5,303</u>	<u>1,643</u>

The above transactions were in the opinion of the directors, carried out on terms comparable to those offered to independent third parties.

	2003 \$'000	2002 \$'000
Amount due to YGM Marketing Pte Limited	<u>576</u>	<u>788</u>

- (c) Transactions with Wuxi Changxin Textile Co., Ltd., an associate:

	2003 \$'000	2002 \$'000
Purchases of traded products	15,827	32,478
Subcontracting fee expenses	12,256	–
Management and marketing supporting fee paid	<u>282</u>	<u>–</u>

The above transactions were in the opinion of the directors, carried out on terms comparable to those offered by independent third parties.

	2003 \$'000	2002 \$'000
Amount due (to)/from Wuxi Changxin Textile Co., Ltd.	(91,184)	18,812
Dividend receivable	<u>11,570</u>	<u>18,360</u>

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**35 MATERIAL RELATED PARTY TRANSACTIONS (Continued)**

- (d) Transactions with Hongkong Knitters Lanka (PVT) Limited ("HKKL"), an associate:

	2003 \$'000	2002 \$'000
Purchases on behalf and sales of traded products	47,416	50,067
Commission income	<u>3,992</u>	<u>4,117</u>

The Group purchased traded products on behalf of HKKL which were reimbursed to the Group by HKKL at cost. Commission income relates to referral of sales by the Group and is charged at an agreed percentage based on the HKKL's turnover.

The Company also issued a corporate guarantee of \$2,730,000 (2002: \$2,730,000) to a bank in respect of general banking facilities granted by such bank to HKKL. HKKL is 50% owned by the Company and 50% owned by a company controlled by certain directors of the Company. The general banking facilities were used for funding HKKL's daily working capital requirements.

	2003 \$'000	2002 \$'000
Amount due from HKKL	<u>25,761</u>	<u>4,382</u>

- (e) Transactions with YangtzeKiang Industries Sdn. Bhd. ("YISB"), an associate:

	2003 \$'000	2002 \$'000
Subcontracting fee expense	2,844	736
Commission income	<u>1,033</u>	<u>2,752</u>

The subcontracting fee was in the opinion of the directors, carried out on terms comparable to those offered to independent third parties. Commission income relates to referral of sales by the Group to YISB and is charged at an agreed percentage based on the associate's turnover.

	2003 \$'000	2002 \$'000
Amount due from YISB	<u>256</u>	<u>193</u>

For the year ended 31st March, 2003

**35 MATERIAL RELATED PARTY TRANSACTIONS (Continued)**

- (f) Transactions with Allied Textiles Limited ("Allied Textiles"), an associate:

	<b>2003</b>	2002
	<b>\$'000</b>	\$'000
Purchases of traded products	<b>3,026</b>	–
Purchases on behalf and sales of traded products	<b>871</b>	–

Purchases of traded products was in the opinion of the directors, carried out on prices and terms comparable to those offered to or by independent third parties. The Group purchased traded products on behalf of Allied Textiles which were reimbursed to the Group by Allied Textiles at cost.

	<b>2003</b>	2002
	<b>\$'000</b>	\$'000
Amount due to Allied Textiles	<b>354</b>	–

- (g) Transactions with YangtzeKiang S.A. ("YSA") as an associate for the period from 1st April, 2002 to 30th June, 2002:

	<b>Period from 1st April, 2002 to 30th June 2002</b>	Year ended 31st March 2002
	<b>\$'000</b>	\$'000
Sales of traded products	<b>10,659</b>	61,833
Commission expense	<b>34</b>	191

The above transactions were in the opinion of the directors, carried out on terms comparable to those offered to independent third parties. Commission expense relates to referral of sales by YSA and is charged at an agreed percentage based on the Group's turnover.

	<b>2003</b>	2002
	<b>\$'000</b>	\$'000
Amount due to YSA	–	(232)

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**35 MATERIAL RELATED PARTY TRANSACTIONS (Continued)**

(g) (continued)

Transactions with YSA as a non-wholly owned subsidiary for the period from 1st July, 2002 to 31st March, 2003:

	<b>Period from 1st July, 2002 to 31st March 2003 \$'000</b>	Year ended 31st March, 2002 \$'000
Sales of traded products	<b>66,518</b>	–
Commission expense	<b>138</b>	–

The above transactions were in the opinion of the directors, carried out on terms comparable to those offered to independent third parties. Commission expense relates to referral of sales by YSA and is charged at an agreed percentage based on the Group's turnover. Its year end trade balances thereof have been eliminated on consolidation.

	<b>2003 \$'000</b>	2002 \$'000
Amount due from YSA	<b>859</b>	–

(h) Transactions with non-wholly owned subsidiaries, Whampoa Textiles Limited and its subsidiaries ("Whampoa Group"):

	<b>2003 \$'000</b>	2002 \$'000
(1) Guarantees given to banks in respect of credit facilities granted to:		
Hong Kong Knitters Limited ("HKK") (To the extent of the Company's proportional equity interest held)	<b>49,148</b>	49,148
Hong Kong Knitters (Lesotho) Limited ("HKK (Lesotho)")	<b>–</b>	<b>23,400</b>

The general banking facilities were used for funding HKK's and HKK (Lesotho)'s daily working capital requirements.

Whampoa Textile Limited is 75% directly owned by the Company and 25% indirectly owned by a company controlled by certain Directors of the Company. HKK and HKK (Lesotho) are the wholly-owned subsidiaries of Whampoa Textile Limited.

**35 MATERIAL RELATED PARTY TRANSACTIONS (Continued)**

- (h) Transactions with non-wholly owned subsidiaries, Whampoa Textiles Limited and its subsidiaries (“Whampoa Group”): (continued)

	2003 \$'000	2002 \$'000
(2) Transactions with Whampoa Group		
Sales of traded products	17,412	2,600
Purchases on behalf and sales of traded products	111,247	22,882
Commission expenses paid	4,806	1,606
Subcontracting fee income	5,752	5,515
Rental income from properties	2,117	1,907
Building management fee income	120	110
Management fee income	3,960	2,640
Interest income	3,340	3,599
Sales of fixed assets	585	-

Whampoa Group purchased traded products on behalf of other subsidiaries of the Group which were reimbursed to Whampoa Group at cost. Commission expenses relate to referral of sales by Whampoa Group and is charged at an agreed percentage on the Group's turnover.

The above transactions were in the opinion of the directors, carried out on the terms comparable to those offered to independent third parties. Their year end trade balances thereof have been eliminated on consolidation.

**36 SUBSEQUENT EVENTS**

The acquisitions of Whampoa Textile Limited (“Whampoa”) and Hongkong Knitters Lanka (PVT) Limited (“HKKL”).

The Company had entered into the following agreements (“the Agreements”):

- (1) an agreement on 10th February, 2003 and a supplemental agreement thereto on 24th March, 2003 in relation to the acquisition of 25% of the issued share capital of Whampoa from Chan Family Investment Corporation Limited, a person connected with the Company for the purpose of the Listing Rules, for a cash consideration of \$5,000,000; and
- (2) an agreement on 10th February, 2003 and a supplemental agreement thereto on 24th March, 2003 in relation to the acquisition of 50% of the issued share capital of HKKL from Sevenoaks Associates, Inc., a person connected with the Company for the purpose of the Listing Rules, for a cash consideration of \$1.

The Agreements were approved by the Independent Shareholders of the Company at the Extraordinary General Meeting on 5th May, 2003 and the acquisitions were completed on 13th May, 2003. After completion of the acquisitions, various existing transactions between the Group, Whampoa Group and HKKL shall become transactions between the Company and its wholly owned subsidiaries or between its wholly owned subsidiaries and will not be subject to disclosure or shareholders approval requirements under Chapter 14 of the Listing Rules.

**37 COMPARATIVE FIGURES**

The presentation and classification of items in the consolidated cash flow statement have been changed due to the adoption of the requirements of SSAP 15 (revised 2001) “Cash flow statements”. As a result, certain advances from banks have been excluded from the definition of cash equivalents, cash flow items from taxation, returns on investments and servicing of finance have been classified into operating, investing and financing activities respectively and a detailed breakdown of cash flows from operating activities has been included on the face of the consolidated cash flow statement. Comparative figures have been reclassified to conform with the current year's presentation.

In addition, certain comparative figures in the balance sheet have been reclassified to conform with the current year's presentation.

## PRINCIPAL SUBSIDIARIES

At 31st March, 2003

The following list contains only the particulars of principal subsidiaries which materially affected the results or assets of the Group. The class of shares held is ordinary unless otherwise stated.

Company	Place of incorporation/ establishment and operation	Issued and paid up share capital/registered capital	Percentage of equity held by		Principal activity
			the Group	the Company	
Whampoa Textile Limited	Hong Kong	HK\$25,000,000	75	75	Investment holding
Hong Kong Knitters Limited	Hong Kong	HK\$3,000,000	75	–	Garment manufacturing and investment holding
Easeley Knitwear Limited	Hong Kong	HK\$100,000	75	–	Garment manufacturing
Exquisite Knitters (Guangzhou) Limited*	The PRC/ wholly foreign owned enterprise	HK\$75,600,000	75	–	Knitting and dyeing of fabrics and manufacturing of garments
YangtzeKiang (Myanmar) Limited	Hong Kong	HK\$2	100	100	Investment holding
YangtzeKiang Industries (Myanmar) Limited *	Myanmar	US\$160,000	100	–	Garment manufacturing and distribution
YangtzeKiang Cambodia Limited	British Virgin Islands	US\$1	100	100	Investment holding
YGM (Cambodia) Limited	Cambodia	US\$750,000	100	–	Garment manufacturing
Co-Union Limited	Hong Kong	HK\$2	100	100	Investment holding
Broad Plan Investment Limited	Hong Kong	HK\$2	100	–	Investment holding
Wuxi YGM Textile Co., Ltd.	The PRC/ Sino-foreign equity joint venture	US\$5,760,000	70	–	Garment manufacturing
Guardo Limited	Hong Kong	HK\$20	100	100	Investment holding
H.K. International Knitters (Proprietary) Limited*	Lesotho	R1,000	75	–	Garment manufacturing
Whampoa Garment Manufacturing (Guangzhou) Co., Ltd *	The PRC/wholly owned foreign enterprise	HK\$3,344,850	75	–	Garment manufacturing
YangtzeKiang S.A.*	France	Euro2,286,735	86.92	86.92	Garment wholesaling

\* Companies not audited by KPMG. The financial statements of the subsidiaries not audited by KPMG reflect total net assets and total turnover constituting approximately 37% of consolidated net assets and 29% of the consolidated turnover respectively.

At 31st March, 2003

The following list contains only the particulars of principal associates, all of which are unlisted corporate entities, which materially affected the results or assets of the Group:

Company	Place of incorporation/ establishment and operation	Percentage of ownership interest held by		Principal activity
		the Group	the Company	
Qinghai Changqing Aluminium Corporation	The PRC/ Sino-foreign equity joint venture	35.93	–	Production and distribution of aluminium products
Wuxi Changxin Textile Co., Ltd.	The PRC/ Sino-foreign equity joint venture	33.33	–	Manufacturing of yarns and fabrics
Wuxi Changxin Real Estate Development Co., Ltd.	The PRC/ Sino-foreign equity joint venture	33.33	–	Property development and investment
Allied Textiles Limited **	The PRC/ Sino-foreign equity joint venture	28.125	–	Manufacturing of textile products
Hongkong Knitters Lanka (PVT) Limited	Sri-Lanka	50.0	50.0	Garment manufacturing
YangtzeKiang Industries Sdn. Bhd.	Malaysia	49.0	49.0	Garment manufacturing
W. Haking Enterprises Limited **	Hong Kong	26.53	–	Design, manufacture and sale of cameras and binoculars

\* Companies not audited by KPMG.

# Audited financial statements as at 31st December, 2002 are used for equity accounting purposes.



## FIVE YEAR SUMMARY

	1999 (restated) notes 1 & 2 HK\$'000	2000 (restated) note 2 HK\$'000	2001 (restated) note 2 HK\$'000	2002 HK\$'000	2003 HK\$'000
<b>Income statement</b>					
Group turnover	<u>967,474</u>	<u>1,103,925</u>	<u>1,243,679</u>	<u>1,159,929</u>	<u>1,238,363</u>
Profit from operations	50,054	61,321	67,788	38,317	28,751
Finance costs	(26,873)	(23,461)	(23,935)	(17,346)	(15,213)
Non-operating income/ (expenses), net	426	(11,865)	–	–	–
Share of profits less losses of associates	<u>3,924</u>	<u>30,510</u>	<u>23,623</u>	<u>20,950</u>	<u>33,887</u>
Profit from ordinary activities before taxation	27,531	56,505	67,476	41,921	47,425
Taxation	(1,093)	(8,811)	(12,837)	(10,520)	(9,235)
Minority interests	<u>258</u>	<u>(360)</u>	<u>(6,671)</u>	<u>(3,810)</u>	<u>(5,111)</u>
Profit attributable to shareholders	<u>26,696</u>	<u>47,334</u>	<u>47,968</u>	<u>27,591</u>	<u>33,079</u>
<b>Assets and liabilities</b>					
Fixed assets	235,404	213,412	223,987	232,797	259,543
Construction in progress	631	3,568	–	2,401	341,607
Goodwill	–	–	–	9,351	4,875
Interest in associates	182,154	186,224	169,936	201,930	217,971
Investments	4,967	6,637	4,717	4,322	3,926
Net current (liabilities)/assets	<u>(40,602)</u>	<u>(19,698)</u>	<u>11,655</u>	<u>20,611</u>	<u>(331,551)</u>
Total assets less current liabilities	382,554	390,143	410,295	471,412	496,371
Non-current liabilities	(96,800)	(74,804)	(58,772)	(99,691)	(100,760)
Minority interests	<u>(3,245)</u>	<u>(2,719)</u>	<u>(9,390)</u>	<u>(17,627)</u>	<u>(33,850)</u>
	<u>282,509</u>	<u>312,620</u>	<u>342,133</u>	<u>354,094</u>	<u>361,761</u>
Share capital	70,604	70,561	70,326	70,123	70,123
Reserves	<u>211,905</u>	<u>242,059</u>	<u>271,807</u>	<u>283,971</u>	<u>291,638</u>
	<u>282,509</u>	<u>312,620</u>	<u>342,133</u>	<u>354,094</u>	<u>361,761</u>
<b>Per share basis</b>					
Earnings per share	<u>HK\$0.19</u>	<u>HK\$0.34</u>	<u>HK\$0.34</u>	<u>HK\$0.20</u>	<u>HK\$0.24</u>
Dividend per share	<u>HK\$0.07</u>	<u>HK\$0.12</u>	<u>HK\$0.13</u>	<u>HK\$0.10</u>	<u>HK\$0.10</u>

## Notes:

- (1) As a result of the change in accounting policies for investments in securities, pre-operating costs and adoption of SSAP 1 (revised) "Presentation of financial statements" and SSAP 2 "Net profit or loss for the period, fundamental errors and changes in accounting policies" in 2000, the 1999 figures have been restated for comparison purposes.
- (2) As a result of a change in accounting policy for dividends, figures for each of 1999, 2000 and 2001 have been restated for comparison purposes.