

**INTERIM RESULTS**

The Board of Directors of YangtzeKiang Garment Manufacturing Co., Ltd. (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries and associates (the "Group") for the six months ended 30th September, 2002 as follows. The interim results have not been audited, but have been reviewed by the Company's Audit Committee.

**CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT**

For the six months ended 30th September, 2002

(Expressed in Hong Kong dollars)

		Six months ended 30th September,	
		2002 (Unaudited) \$'000	2001 (Unaudited) \$'000
	<i>Note</i>		
<b>Turnover</b>	2	537,936	577,440
Cost of sales		<u>(443,360)</u>	<u>(491,149)</u>
		94,576	86,291
Other revenue		4,631	5,094
Other net income		8,238	12,446
Selling and distribution expenses		(23,495)	(20,183)
Administrative expenses		(54,744)	(51,263)
Other operating expenses		<u>(11,319)</u>	<u>(12,027)</u>
<b>Profit from operations</b>		17,887	20,358
Finance costs		<u>(6,622)</u>	<u>(9,037)</u>
		11,265	11,321
Share of profits less losses of associates		<u>14,645</u>	<u>10,408</u>
<b>Profit from ordinary activities before taxation</b>	3	25,910	21,729
Taxation	4	<u>(5,773)</u>	<u>(6,150)</u>
<b>Profit from ordinary activities after taxation</b>		20,137	15,579
Minority interests		<u>(2,562)</u>	<u>(1,108)</u>
<b>Profit attributable to shareholders</b>		<u>17,575</u>	<u>14,471</u>
Dividend – interim declared	5	<u>2,805</u>	<u>2,805</u>
<b>Earnings per share – Basic</b>	6	12.5 cents	10.3 cents

**CONDENSED CONSOLIDATED BALANCE SHEET**

At 30th September, 2002

*(Expressed in Hong Kong dollars)*

		30th September, 2002 (Unaudited)		31st March, 2002 (Audited)	
	<i>Note</i>	\$'000	\$'000	\$'000	\$'000
<b>Non-current assets</b>					
Fixed assets			225,201		232,797
Construction in progress			23,736		2,401
Goodwill			10,886		9,351
Interest in associates			207,989		201,930
Non-trading securities			1,449		1,449
Other investments			2,873		2,873
			<u>472,134</u>		<u>450,801</u>
<b>Current assets</b>					
Inventories		97,851		72,044	
Trade and other receivables	7	298,824		172,582	
Tax recoverable		5,794		3,545	
Cash and cash equivalents		33,057		49,872	
		<u>435,526</u>		<u>298,043</u>	
<b>Current liabilities</b>					
Trade and other payables	8	349,743		203,342	
Bank loans and overdrafts		104,021		72,212	
Tax payable		3,052		1,878	
		<u>456,816</u>		<u>277,432</u>	
<b>Net current (liabilities)/assets</b>			<b>(21,290)</b>		<b>20,611</b>
<b>Total assets less current liabilities</b>			<b>450,844</b>		<b>471,412</b>
<b>Non-current liabilities</b>					
Bank loans		59,594		93,565	
Provision for long service payments		6,413		6,126	
		<u>66,007</u>		<u>99,691</u>	
<b>Minority interests</b>			<b>384,837</b>		<b>371,721</b>
			<u>25,007</u>		<u>17,627</u>
<b>NET ASSETS</b>			<b><u>359,830</u></b>		<b><u>354,094</u></b>
<b>CAPITAL AND RESERVES</b>					
Share capital	9		70,123		70,123
Reserves	10		289,707		283,971
			<u>359,830</u>		<u>354,094</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the six months ended 30th September, 2002

*(Expressed in Hong Kong dollars)*

	Share capital	Share premium	Capital redemption reserve	Exchange fluctuation 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	\$'000
At 1st April, 2001	70,326	13,731	278	(12,460)	(45,987)	92	52,921	31,673	1,562	229,997	342,133
2001 final dividend paid	-	-	-	-	-	-	-	-	-	(14,025)	(14,025)
Capital reduction on repurchase of the Company's shares	(203)	-	203	-	-	-	-	-	-	(203)	(203)
Share premium on repurchase of the Company's shares	-	-	-	-	-	-	-	-	-	(360)	(360)
Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	1,822	-	-	-	-	-	-	1,822
Profit for the period	-	-	-	-	-	-	-	-	-	14,471	14,471
At 30th September, 2001	<u>70,123</u>	<u>13,731</u>	<u>481</u>	<u>(10,638)</u>	<u>(45,987)</u>	<u>92</u>	<u>52,921</u>	<u>31,673</u>	<u>1,562</u>	<u>229,880</u>	<u>343,838</u>
At 1st April, 2002	70,123	13,731	481	(9,810)	(45,987)	39	52,921	30,840	2,038	239,718	354,094
2002 final dividend paid	-	-	-	-	-	-	-	-	-	(11,220)	(11,220)
Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	(619)	-	-	-	-	-	-	(619)
Profit for the period	-	-	-	-	-	-	-	-	-	17,575	17,575
At 30th September, 2002	<u>70,123</u>	<u>13,731</u>	<u>481</u>	<u>(10,429)</u>	<u>(45,987)</u>	<u>39</u>	<u>52,921</u>	<u>30,840</u>	<u>2,038</u>	<u>246,073</u>	<u>359,830</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

For the six months ended 30th September, 2002

*(Expressed in Hong Kong dollars)*

	Six months ended 30th September,	
	2002 (Unaudited) \$'000	2001 (Unaudited) (Restated) \$'000
Net cash inflow from operating activities	4,761	29,608
Net cash outflow from investing activities	(4,950)	(2,380)
Net cash inflow from financing activities	<u>3,826</u>	<u>588</u>
Increase in cash and cash equivalents	3,637	27,816
Cash and cash equivalents at beginning of period	22,717	13,495
Effect of foreign exchange rates	<u>(832)</u>	<u>(1,251)</u>
Cash and cash equivalents at end of period	<u><u>25,522</u></u>	<u><u>40,060</u></u>
<b>Analysis of the balances of cash and cash equivalents</b>		
Cash at bank and in hand	33,057	29,900
Deposits with banks	–	34,000
Bank overdrafts	<u>(7,535)</u>	<u>(23,840)</u>
	<u><u>25,522</u></u>	<u><u>40,060</u></u>

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2002

*(Expressed in Hong Kong dollars)*

### 1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements of the Group are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 25 (Revised) “Interim financial reporting” and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The accounting policies adopted are consistent with those followed in the preparation of the Group’s consolidated financial statements for the year ended 31st March, 2002, except for the adoption of the following revised and new SSAPs which are effective for the first time for the period:

SSAP 1 (Revised)	:	Presentation of financial statements
SSAP 11 (Revised)	:	Foreign currency translation
SSAP 15 (Revised)	:	Cash flow statements
SSAP 25 (Revised)	:	Interim financial reporting
SSAP 34	:	Employees benefits

The adoption of the new and revised SSAPs does not have any material impact to the financial results of the Group for the current or prior accounting periods.

## 2. SEGMENT REPORTING

An analysis of the Group's turnover and profit from operations by the location of assets and by the location of customers for the six months ended 30th September, 2002 are as follows:

	Hong Kong \$'000	The PRC \$'000	Asia Pacific \$'000	Europe \$'000	Other \$'000	Inter-segment elimination \$'000	Unallocated \$'000	Consolidated \$'000
Six months ended								
30th September, 2002								
Location of assets								
Revenue from external customers	291,039	87,709	89,726	68,825	637	-	-	537,936
Inter-segment revenue	23,095	38,760	-	-	1,751	(63,606)	-	-
Other revenue	7,705	7	353	150	-	(3,807)	-	4,408
<b>Total revenue</b>	<b>321,839</b>	<b>126,476</b>	<b>90,079</b>	<b>68,975</b>	<b>2,388</b>	<b>(67,413)</b>	<b>-</b>	<b>542,344</b>
Segment result	26,483	(9,105)	(9,614)	12,149	(2,249)	-	223	17,887
Finance costs								(6,622)
Share of profits less losses of associates	3,440	14,198	(3,941)	948	-	-	-	14,645
Taxation								(5,773)
Minority interests								(2,562)
<b>Profit attributable to shareholders</b>								<b>17,575</b>
Depreciation and amortisation								
for the period	2,949	6,278	2,584	235	271	-	-	12,317
Six months ended								
30th September, 2001								
Location of assets								
Revenue from external customers	342,341	139,663	84,878	10,558	-	-	-	577,440
Inter-segment revenue	-	35,680	-	-	-	(35,680)	-	-
Other revenue	7,692	223	3	40	-	(3,385)	-	4,573
<b>Total revenue</b>	<b>350,033</b>	<b>175,566</b>	<b>84,881</b>	<b>10,598</b>	<b>-</b>	<b>(39,065)</b>	<b>-</b>	<b>582,013</b>
Segment result	29,483	(3,380)	(3,887)	(2,379)	-	-	521	20,358
Finance costs								(9,037)
Share of profits less losses of associates	(2)	15,686	(1,664)	(3,612)	-	-	-	10,408
Taxation								(6,150)
Minority interests								(1,108)
<b>Profit attributable to shareholders</b>								<b>14,471</b>
Depreciation for the period	1,766	7,449	2,159	459	-	-	-	11,833

## 2. SEGMENT REPORTING (Continued)

Additional information concerning geographical segments:

	Six months ended 30th September,	
	2002	2001
	\$'000	\$'000
Revenue from external customers by the location of customers		
– Europe		
United Kingdom	107,627	117,653
Germany	44,294	58,421
Other European countries	178,647	202,534
– North America	105,748	97,737
– Asia Pacific	86,487	89,966
– Others	15,133	11,129
	<u>537,936</u>	<u>577,440</u>

## 3. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

Profit from ordinary activities before taxation is arrived at after charging:

	Six months ended 30th September,	
	2002	2001
	\$'000	\$'000
Finance costs (including bank charges)	6,622	9,037
Amortisation of positive goodwill	520	–
Depreciation	<u>11,797</u>	<u>11,833</u>

## 4. TAXATION

	Six months ended 30th September,	
	2002	2001
	\$'000	\$'000
Hong Kong taxation	2,408	2,034
Overseas taxation	<u>343</u>	<u>1,349</u>
	2,751	3,383
Share of associates' taxation	<u>3,022</u>	<u>2,767</u>
	<u><u>5,773</u></u>	<u><u>6,150</u></u>

The provision for Hong Kong Profits Tax is calculated at 16% (2001: 16%) of the estimated assessable profits for the six months ended 30th September, 2002. Taxation for overseas subsidiaries and branch are similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

## 5. DIVIDENDS

- (a) Dividend attributable to the interim period

	Six months ended 30th September,	
	2002	2001
	\$'000	\$'000
Interim dividend declared after the interim period end of 2 cents per share (2001: 2 cents per share)	<u>2,805</u>	<u>2,805</u>

The interim dividend declared after the interim period end has not been recognised as a liability at the interim period end date.



5. DIVIDENDS (Continued)

- (b) Dividend attributable to the previous financial year, approved and paid during the interim period

	Six months ended 30th September,	
	2002	2001
	\$'000	\$'000
Final dividend in respect of the previous financial year, approved and paid during the interim period, of 8 cents per share (2001: 10 cents per share)	<u>11,220</u>	<u>14,025</u>

6. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to the shareholders of \$17,575,000 (2001: \$14,471,000) and on the weighted average number of 140,245,792 shares (2001: 140,375,940 shares) in issue during the period.

Diluted earnings per share for the periods ended 30th September, 2002 and 30th September, 2001 have not been presented as no dilutive potential ordinary shares were outstanding during the period.

7. TRADE AND OTHER RECEIVABLES

The following is an aging analysis and components of trade and other receivables at the reporting date:

	30th September, 2002 \$'000	31st March, 2002 \$'000
0 – 60 days	150,795	59,297
61 – 90 days	6,934	2,075
> 90 days	<u>15,120</u>	<u>11,478</u>
Trade debtors and bills receivable	172,849	72,850
Deposits, prepayment and other debtors	66,209	36,135
Amounts due from associates and related companies	43,695	32,649
Dividend receivable from associates	<u>16,071</u>	<u>30,948</u>
	<u>298,824</u>	<u>172,582</u>

## 7. TRADE AND OTHER RECEIVABLES (Continued)

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.

## 8. TRADE AND OTHER PAYABLES

The following is an aging analysis and components of trade and other payables at the reporting date:

	30th September, 2002 \$'000	31st March, 2002 \$'000
0 – 60 days	59,800	45,747
61 – 90 days	5,996	16,375
> 90 days	<u>10,893</u>	<u>9,088</u>
Trade creditors	76,689	71,210
Bills payable and trust receipt loans	158,596	41,995
Accrued charges and other creditors	113,753	88,924
Amounts due to associates and related companies	<u>705</u>	<u>1,213</u>
	<u><u>349,743</u></u>	<u><u>203,342</u></u>

## 9. SHARE CAPITAL

	30th September, 2002		31st March, 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 beginning of the period/year	140,246	70,123	140,652	70,326
Shares repurchased during the period/year	<u>–</u>	<u>–</u>	<u>(406)</u>	<u>(203)</u>
At end of the period/year	<u><u>140,246</u></u>	<u><u>70,123</u></u>	<u><u>140,246</u></u>	<u><u>70,123</u></u>

**10. RESERVES**

The detailed movements in reserves during the period were disclosed in the Condensed Statement of Changes in Equity.

**11. CAPITAL COMMITMENTS**

Capital commitments outstanding at 30th September, 2002 not provided for in the financial statements were as follows:

	30th September, 2002 \$'000	31st March, 2002 \$'000
Contracted but not provided for		
– fixed assets	76,992	5,645
– capital contribution to subsidiary	45,864	55,692
Authorised but not contracted for	38,182	–
	<u>161,038</u>	<u>61,337</u>

The Group's share of the capital commitments of associates outstanding at 30th September, 2002 were as follows:

	30th September, 2002 \$'000	31st March, 2002 \$'000
Contracted but not provided for	31,665	8,091
Authorised but not contracted for	498	32,022
	<u>32,163</u>	<u>40,113</u>

**12. CONTINGENT LIABILITIES**

- (a) At 30th September, 2002, there were bills discounted with banks amounting to approximately \$125,828,000 (at 31st March, 2002: \$128,568,000) for the Group.
- (b) At 30th September, 2002, guarantees given to bankers by the Company to the extent of \$61,878,000 (at 31st March, 2002: \$123,157,000) in respect of banking facilities extended to its subsidiaries and associates.

### 13. 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, on normal commercial terms:

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

	Six months ended 30th September,	
	2002 \$'000	2001 \$'000
Purchases of traded products	21	–
Sales of traded products	4,289	4,471
Rental income from properties	1,946	2,010
Management fee income	372	372
Building management fee income	162	167
Commission expenses	–	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.

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

	Six months ended 30th September,	
	2002 \$'000	2001 \$'000
Sales of traded products	2,126	729
Purchase of traded products	–	423
	<u>          </u>	<u>          </u>

## 13. RELATED PARTY TRANSACTIONS (Continued)

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

## (c) Transactions with associates

## (1) Transactions with Wuxi Changxin Textile Co., Ltd.:

	Six months ended 30th September,	
	2002	2001
	\$'000	\$'000
Purchases of traded products	–	13,961
Subcontracting fee expenses	<u>6,301</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.

## (2) Transactions with YangtzeKiang S.A., during the period from April, 2002 to June, 2002:

	Six months ended 30th September,	
	2002	2001
	\$'000	\$'000
Sales of traded products	10,659	38,296
Commission expenses	<u>34</u>	<u>85</u>

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

## 13. RELATED PARTY TRANSACTIONS (Continued)

- (3) Transactions with YangtzeKiang Industries Sdn. Bhd. ("YISB"):

	Six months ended 30th September,	
	2002 \$'000	2001 \$'000
Commission income	1,033	1,931
Subcontracting fee expenses	<u>416</u>	<u>661</u>

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

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

	Six months ended 30th September,	
	2002 \$'000	2001 \$'000
Purchases on behalf and sales of traded products	23,935	19,581
Commission income	<u>2,091</u>	<u>1,734</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 (at 31st March, 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.

## 13. RELATED PARTY TRANSACTIONS (Continued)

(e) Outstanding balances due from/(to) related companies and associates as at:

	30th September, 2002 \$'000	31st March, 2002 \$'000
Amount due from YGMT Group	8,567	9,159
Amount due to YGMT Group	(23)	(23)
Amount due to YGM Marketing Pte. Limited	(485)	(788)
Amount due from Wuxi Changxin Textile Co., Ltd.	16,253	18,812
Dividend receivable from Wuxi Changxin Textile Co., Ltd.	8,615	18,360
Amount due from Hongkong Knitters Lanka (PVT) Limited	18,458	4,382
Amount due from YangtzeKiang Industries Sdn. Bhd.	<u>309</u>	<u>193</u>

Balances with related companies are unsecured, interest-free and repayable on demand.

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

	30th September, 2002 \$'000	31st March, 2002 \$'000
(1) Guarantees given to bank in respect of credit facilities granted to:		
Hong Kong Knitters Limited ("HKK") (To the extent of the Company's proportional equity interest held)	49,148	49,148
Hong Kong Knitters (Lesotho) Limited ("HKK (Lesotho)")	<u>-</u>	<u>23,400</u>

### 13. RELATED PARTY TRANSACTIONS *(Continued)*

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.

	Six months ended 30th September,	
	2002	2001
	\$'000	\$'000
(2) Transactions with Whampoa Group		
Sales of traded products	10,027	–
Purchase on behalf by		
Whampoa Group	32,432	6,066
Commission expenses	832	799
Subcontracting fee income	3,029	2,736
Rental income	870	920
Building management fee income	53	55
Management fee income	1,980	900
Interest income	<u>1,639</u>	<u>1,744</u>

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

The above transactions were in the opinion of the Directors, carried out on the terms comparable to those offered to or by independent third parties, and the period end inter-company balances thereof have been eliminated on consolidation.



## INTERIM DIVIDEND

The Board resolved that an interim dividend of 2 cents per share (2001: 2 cents) be payable on 14th January, 2003. The shareholders' register will be closed from 6th January, 2003 to 10th January, 2003 (both days inclusive). In order to qualify for interim dividend, transfer must be lodged at the company registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Friday, 3rd January, 2003.

## BUSINESS REVIEW AND PROSPECTS

Turnover for the Group decreased by \$39,504,000 to \$537,936,000 and net income increased by \$3,104,000 to \$17,575,000.

Although garment manufacturing business remains to be difficult, we are pleased our overall result has improved during this period compared with the same period last year. Some of the positive factors are as follows:

1. Investments in our associates, Wuxi Changxin Textile Co., Ltd., Qinghai Changqing Aluminium Corporation and W. Haking Enterprises Ltd. have all produced good results.
2. As of July 2002, Tomen Corporation of Japan and Tomen Hot-Line of Hong Kong had transferred their shares of YangtzeKiang S.A. to our Company thus increasing our shareholding from 43% to about 87% at the present time. We are fortunate to be the controlling shareholder at a time when the company has turned around to profitability mainly due to the surge of Euro exchange rate and reduction of overhead expenses.
3. Many of our core business still produced steady and satisfactory results. They are such as garment trading, Hong Kong Knitters in China etc. Although we are facing strong price pressure, capacities of all our factories are fully booked up.

However, a few of our factories are still suffering unacceptable losses. They are Tac Cheong Lda. in Macau, YGM (Cambodia) Ltd. in Cambodia and Hongkong Knitters Lanka (PVT) Limited in Sri Lanka. Restructuring and close supervision of these factories are currently underway.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30th September, 2002, the Group had cash and bank balances of \$33,000,000 (as at 31st March, 2002: \$50,000,000). The bank borrowings, representing trade related short to medium term loans, amounted to \$250,000,000 (as at 31st March, 2002: \$197,000,000). The seasonal rise in business activities contributed to a higher level of trust receipt loans which were grouped under bank borrowings. The Group's net debt to equity ratio was 60% (as at 31st March, 2002: 42%). Calculation was based on the Group's bank borrowings, net of cash and bank balances, of \$217,000,000 (as at 31st March, 2002: \$147,000,000) and the Group's net assets of \$360,000,000 (as at 31st March, 2002: \$354,000,000).

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

The Group generally finances its working capital requirements and capital commitments with internally generated cashflow and banking facilities provided by its bankers in Hong Kong. The management believes that the Group has sufficient financial resources to satisfy its working capital requirements and capital commitments.

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 and payable denominated in foreign currency against the exchange rate fluctuation.

## EMPLOYMENT AND REMUNERATION POLICIES

As at 30th September, 2002, the Group, including its subsidiaries but excluding associates, employed approximately of 8,000 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.

## DIRECTORS' INTEREST

- (a) As at 30th September, 2002, the interests of the Directors in the shares of the Company recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

Name of Director	Number of 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	-	-	-	-

- (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.

## DIRECTORS' INTEREST *(Continued)*

- (b) Save as disclosed herein, none of the Directors has or has had any interest, either directly or indirectly, in the equity or debt securities of the Company and its associated corporations which requires notification to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance (including interests which they are deemed or taken to have under section 31 or Part I of the Schedule of the SDI Ordinance) or which requires, pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein or which would be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of the Listed Companies.

## SUBSTANTIAL SHAREHOLDERS

As at 30th September, 2002, no person and corporation (other than the Directors or chief executive of the Company) was, so far as is known to the Directors, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances as general meetings of the Group and any options in respect of such 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 period ended 30th September, 2002.

## 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 period, 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

The audit committee, which consists of two Independent Non-executive Directors of the Company, has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited Interim Accounts for the six months ended 30th September, 2002.

By Order of the Board  
Chan Sui Kau  
*Chairman*

Hong Kong, 18th December, 2002