

YANGTZEKIANG GARMENT MFG. CO. LTD.

(Incorporated in Hong Kong with limited liability)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST MARCH, 2003

The Board of Directors of Yangtzekiang Garment Mfg. Co., Ltd. (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries and associates (the “Group”) for the year ended 31st March, 2003 as follows:

CONSOLIDATED INCOME STATEMENT

(Expressed in Hong Kong dollars)

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

NOTES:

1. Segment reporting

Gross turnover represents the gross invoiced value of products sold.

An analysis of the turnover and segment result by geographical locations of the assets of the Group is given below:

For the year ended 31st March, 2003

	Hong Kong \$'000	The PRC \$'000	Asia Pacific \$'000	Europe \$'000	Other \$'000	Inter-segment elimination \$'000	Unallocated \$'000	Consolidated \$'000
Location of assets								
Revenue from external customers	701,130	134,787	234,215	167,590	641	-	-	1,238,363
Inter-segment revenue	66,550	138,230	-	-	4,809	(209,589)	-	-
Other revenue	22,623	362	1,322	322	-	(11,093)	-	13,536
Total revenue	<u>790,303</u>	<u>273,379</u>	<u>235,537</u>	<u>167,912</u>	<u>5,450</u>	<u>(220,682)</u>	<u>-</u>	<u>1,251,899</u>
Segment result	53,408	(14,040)	(26,942)	21,698	(5,918)	-	545	28,751
Finance costs	-	-	-	-	-	-	-	(15,213)
Share of profits less losses of associates	8,926	32,956	(8,833)	838	-	-	-	33,887
Taxation	-	-	-	-	-	-	-	(9,235)
Minority interests	-	-	-	-	-	-	-	(5,111)
Profit attributable to shareholders								<u>33,079</u>
Depreciation and amortisation for the year	7,497	12,456	7,881	1,517	1,301	-	-	30,652

For the year ended 31st March, 2002

	Hong Kong \$'000	The PRC \$'000	Asia Pacific \$'000	Europe \$'000	Other \$'000	Inter-segment elimination \$'000	Unallocated \$'000	Consolidated \$'000
Location of assets								
Revenue from external customers	713,458	263,027	165,221	17,995	228	-	-	1,159,929
Inter-segment revenue	-	96,838	-	-	878	(97,716)	-	-
Other revenue	15,026	374	798	-	-	(7,408)	-	8,790
Total revenue	<u>728,484</u>	<u>360,239</u>	<u>166,019</u>	<u>17,995</u>	<u>1,106</u>	<u>(105,124)</u>	<u>-</u>	<u>1,168,719</u>
Segment result	30,373	16,463	(7,748)	(2,002)	137	-	1,094	38,317
Finance costs	-	-	-	-	-	-	-	(17,346)
Share of profits less losses of associates	(61)	24,869	(1,376)	(2,482)	-	-	-	20,950
Taxation	-	-	-	-	-	-	-	(10,520)
Minority interests	-	-	-	-	-	-	-	(3,810)
Profit attributable to shareholders								<u>27,591</u>
Depreciation and amortisation for the year	4,987	13,659	4,730	922	114	-	-	24,412

Additional information concerning geographical segments:

	2003 \$'000	2002 \$'000
Revenue from external customers by the location of customers		
- Europe		
United Kingdom	183,004	258,080
Germany	89,510	140,457
France	203,731	85,370
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.

2. Profit from ordinary activities before taxation

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

	2003 \$'000	2002 \$'000
Finance costs	15,213	17,346
Amortisation of permanent quota	-	659
Amortisation of positive goodwill	2,338	1,039
Amortisation of negative goodwill	(494)	-
Amortisation of negative goodwill included in share of profits less losses of associates	(7,517)	-
Cost of inventories	1,039,303	984,681
Depreciation	28,808	22,714
Impairment losses on land and buildings reversed	-	(2,242)
Dividend income from unlisted equity securities	(350)	(358)
Net realised losses on disposal of non-trading securities	190	-
Loss/(gain) on disposal of fixed assets	521	(4,873)
Loss on disposal of subsidiaries	712	-
Gain on excluding subsidiaries under liquidation	(6,082)	-
Other income from reinvestment in associate	(3,180)	-

3. Taxation

	2003	2002
	\$'000	\$'000
Provision for Hong Kong Profits Tax for the year	7,675	3,816
Overprovision in respect of the prior years	(625)	(749)
	<u>7,050</u>	<u>3,067</u>
Overseas taxation	(104)	2,851
	<u>6,946</u>	5,918
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. Taxations for overseas subsidiaries and branch are similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

4. Dividends

	2003	2002
	\$'000	\$'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	11,220	11,220
	<u>14,025</u>	<u>14,025</u>

5. 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

The amount of diluted earnings per share is not presented as there were no dilutive potential ordinary shares in existence.

DIVIDEND

The Board resolved that a final dividend of 8 cents (2002: 8 cents) per share be payable on 25th August, 2003. The shareholders' register will be closed from 18th August, 2003 to 22nd August, 2003 (both days inclusive). In order to qualify for final dividend, transfers 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, 15th August, 2003.

BUSINESS REVIEW AND PROSPECTS

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.

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.

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 Yangtzejiang S.A. from 43% previously. Yangtzejiang 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, Yangtzejiang 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.

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.

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 provide 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 and payable 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.

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.

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 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.

PUBLICATION OF RESULTS ON THE STOCK EXCHANGE'S WEBSITE

A detailed result announcement containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

By Order of the Board
S. K. Chan
Chairman

Hong Kong, 22nd July, 2003

NOTICE OF ANNUAL GENERAL MEETING

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 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.

Please also refer to the published version of this announcement in The Standard.