



永隆實業  
ENTERPRISES

Yonglong

浙江永隆實業股份有限公司

ZHEJIANG YONGLONG ENTERPRISES CO.,LTD.

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

The background of the cover features a close-up of vibrant green leaves with detailed vein patterns. Overlaid on this are several flowing, wavy lines in shades of blue, green, and yellow, creating a sense of movement and growth.

2003  
Annual Report

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### CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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## Corporate Information

### Executive directors

Mr. Sun Li Yong  
Ms. Fang Xiao Jian  
Mr. Sun Jian Feng  
Mr. Xia Xue Nian  
Mr. Li Cheng Ju

### Independent non-executive directors

Mr. Lui Tin Nang  
Mr. Luk Guo Qing

### Supervisors

Mr. He Dong Hui  
Mr. Shao Bao Hua  
Mr. Luo Teng Fa

### Independent supervisors

Mr. Wang He Rong  
Mr. Hu Jin Huan

### Company secretary

Ms. Chen Yen Yung *AHKSA, CPA (Aust.)*

### Audit committee

Mr. Lui Tin Nang  
Mr. Luk Quo Qing

### Qualified accountant

Ms. Chen Yen Yung *AHKSA, CPA (Aust.)*

### Head office and legal address

Yangxun Qiao Town  
Shaoxing County  
Zhejiang Province  
PRC

### Principal place of business in Hong Kong

Suite 604, 6th Floor  
Prudential Tower  
The Gateway, 25 Canton Road  
Tsimshatsui, Kowloon  
Hong Kong

### Compliance officer

Mr. Xia Xue Nian

### Authorised representatives

Mr. Sun Li Yong  
Mr. Sun Jian Feng

### Principal bankers

Agriculture Bank of China  
Shaoxing Branch  
333 Jin Ke Quao Da Road  
Shaoxing County  
Zhejiang Province  
PRC

### Joint auditors

Deloitte Touche Tohmatsu  
*Certified Public Accountants*  
26th Floor  
Wing On Centre  
111 Connaught Road Central  
Hong Kong

KLL Associates CPA Limited  
*Certified Public Accountants*  
Suite 1303  
Shanghai Industrial Investment Building  
60 Hennessy Road  
Wanchai  
Hong Kong

### H Share share registrar and transfer office

Standard Registrars Limited  
G/F, Bank of East Asia Harbour View Centre  
56 Gloucester Road, Wanchai  
Hong Kong

### Joint sponsor

Kingsway Capital Limited  
5th Floor  
Hutchison House  
10 Harcourt Road  
Central  
Hong Kong

Guotai Junan Capital Limited  
27th Floor, Low Block  
Grand Millennium Plaza  
181 Queen's Road Central  
Hong Kong

### Stock Code

8211

## Highlights

- Turnover of the Company increased from approximately RMB405.88 million in year 2002 to approximately RMB466.67 million in year 2003, representing a growth of approximately 14.98%
- Net profit for the year was approximately RMB34.15 million, representing a decrease of approximately 20% when compared with that of 2002.
- The Directors recommend the payment of a final dividend of RMB0.01 per share for the year ended December 31, 2003.

# Highlights

## Chairman's Statement

On behalf of the board of directors (the "Board" or the "Directors") of 浙江永隆實業股份有限公司 (Zhejiang Yonglong Enterprises Co., Ltd.\*) (the "Company"), I am pleased to present to our shareholders the annual report of the Company for the year ended December 31, 2003.

### FINANCIAL PERFORMANCE

For the year ended December 31, 2003, the Company recorded a turnover of approximately RMB466.67 million, representing an increase of approximately 14.98% as compared with that for the year ended December 31, 2002. The gross profit for the year under review was approximately RMB63.07 million, representing a gross profit margin of approximately 13.52% as compared with a gross profit of approximately RMB61.52 million and a gross profit margin of approximately 15.16% for last year. About 26.62% and 33.38% of the Company's products were sold to the Company's overseas customers and export and import trading companies respectively. The overseas customers of the Company and these export and import trading companies are mainly located in the Middle East, Europe and Asia other than PRC.

The decrease in gross profit margin was mainly due to the increase in unit manufacturing cost and production overheads. In addition, due to the political event in the Middle East and the sudden outbreak of Severe Acute Respiratory Syndrome ("SARS") in the PRC and its surrounding regions in the first and second quarters of 2003, the sales orders of the Company were either decreased or temporary deferred. The Company had to stop certain production lines. Although the production lines were resumed during the second half of the year, since the third quarter of 2003, the Company's production has been limited by the shortage of power supply that only about 70% of electricity was provided.

Net profit for the year was approximately RMB34.15 million, representing a decrease of approximately RMB8.54 million as compared with that of last year. Administrative expenses and selling expenses increased sharply as compared with that for the year ended December 31, 2002, which was in line with the expansion of business. Finance cost increased significantly for the year ended December 31, 2003 when compared with that of 2002. The increase was mainly due to the increase in bank loans for the acquisition of property, plant and equipment and the construction of a new production plant during the year. Earnings per share amounted to RMB4.1 cents, compared to RMB8.3 cents for the year ended December 31, 2002.

\* for identification purpose only

## Chairman's Statement

### DIVIDEND

The Directors recommend the payment of a final dividend at the rate of RMB1 cent per share for the year December 31, 2003, payable on June 23, 2004 to all persons whose names appeared on the register of members of the Company on April 16, 2004. On March 26, 2004, the Management Shareholders of the Company, namely Mr. Sun Li Yong, Ms. Fang Xiao Jian, Mr. Sun Jian Feng and Mr. Xia Xue Nian (the "Management Shareholders"), who are holding 382,200,000, 182,280,000, 5,880,000 and 5,880,000 domestic shares, and Mr. Fang Han Hong, a domestic share shareholder, who is holding 11,760,000 domestic shares of the Company, entered into an agreement with the Company pursuant to which the Management Shareholders and Mr. Fang Han Hong agreed to give up their rights to receive the final dividend of the Company for the year 2003. Therefore, the Company will only pay the final dividend for the year 2003 to holders of H shares of the Company. The share registers will be closed from April 16, 2004 to May 18, 2004, both days inclusive.

### OUR STRATEGY GOING FORWARD

Since its successful listing on GEM in November 2002, the Company has become better positioned for future than it used to be. Focusing on rebuilding the Company into an internationally renowned fabrics manufacturer for long-term profitable growth has become the directing point for the Directors to formulate its corporate strategies for the coming years. With the facts that the compounded annual growth rate for China's textile industry has been maintaining at a two-digit figure for the past few years, and the export of textile products is expected to increase by 150% for next two years, China is expected to share over 50% of global textile trading. The Directors' determination to upgrade the Company's status in the international textile arena is best aligned with the prosperous business opportunities for the textile industry in China. The key strategies to be adopted by the Directors are as follows:

#### A. Globalization

The Directors believe most American and European customers are shifting their focus away from costly local producers towards China and other developing countries. Therefore the Company decides to meet the vast demands of the international clients with quality products and our own brand name products. This globalization strategy will help the Company differentiate itself from its competitors.

- (i) Develop strategic partnership with international industry leaders in the textile industry. The Company is planning to find the opportunities to cooperate with the textile manufacturers in Europe and in United States. It is believed that through partnership and alliance, the Company can be able to bring in state-of-the-art machines and technology, penetrate new channels and market opportunities.

## Chairman's Statement

- (ii) Improve growth by developing direct international sales and marketing. To this end, the Company has already set up sales offices in New York and Hong Kong, and is looking for suitable location in Europe to strengthen its presence in the region.

### **B. Vertical integration strategy**

The Company's competitiveness and profitability will be enhanced through vertical integration strategies. Along with further strengthening our current productions through increasing capacity, we will complete our value chain by investing in upstream texturizing and down stream dyeing and finishing:

- (i) Investing in a texturizing plant (DTY) which allows us to secure our own material supply on the one hand, and, supply to other producers in the region on the other hand. The project will financially contribute to the Company with better margin and taxation arrangement.
- (ii) Dyeing and finishing are key to a textile value chain: it controls the final quality and also derives more profit than upstream. Our Company will quickly enter this area through international cooperation and make it our additional competitiveness.

A vertically integrated operation will give us a much better quality control system and a better margin as well. More importantly, it will allow us to serve our clients better and differentiate us from the players in the region.

### **C. Pursuing operational excellence**

It is a consensus in the textile industry that competition will get fiercer in the next two years; the Company will be dedicated to operational excellence by executing the following measures:

- (i) re-align our corporate organization structure, to facilitate our globalization strategy;
- (ii) strengthen quality control through applying for Oko Tex and directly overseeing every step in the product value chain through vertical integration; and
- (iii) better asset utilization through well-screened acquisition of assets.

We believe that through transforming and reengineering our operation model, efficiencies and further cost-saving can be achieved.

## Chairman's Statement

### D. Product innovation

The Company will also increase its research and development investment in order to materialize its pursuit, which shall include setting up a research department in Hong Kong so as to search for the latest information of the fabrics development and the fashion trend and then build up a database.

Besides the continuous co-operation with DuPont China, the Company is keen on breakthroughs in areas of new products design and technologies. This strategy helps us fulfill customers' needs, and therefore makes the Company an aspirational brand standing out among its peers in China. In the coming years, the Company shall be committed to setting up its own specialized team for world-class design and manufacturing capabilities by recruiting talent designers to join our design centre, which is located in Hong Kong with close connections with the fabric development trends in Europe and North America. Through co-operating with our international partners, we can have valuable know-how exchange as well as experience sharing with regards to the various aspects of fabric design such as colour persistence, shrinklessness, dimensional stability, smoothness, thickness, weight, tear strength, wrinkle-resistant and scratchness.

### Prospects — Moving towards a more challenging future with total confidence

The year 2003 was a difficult year for many domestic enterprises due to the electricity shortage in China. Many manufacturers were adversely affected by the scarcity of electricity supply and were inevitably suffered an increase in production overheads. However, being a listed company in Hong Kong, the Company was well supported by the local government and the impacts to the Company were minimal. Recognizing that being a listed company is a valuable asset, the Company shall develop based on this advantage and actively move towards the international textile arena. We expect to see some important transformations of the Company in the coming years, guiding by the doctrine of globalization. And we are ready to present even more encouraging results to our shareholders in the years ahead.

### APPRECIATION

On behalf of the Board, I wish to extend my appreciation to our customers, vendors, banks and shareholders for their enthusiasm and support, and to every employee for their hard work and dedication throughout the year.

**Sun Li Yong**

*Chairman*

Hong Kong, March 26, 2004



## Management Discussion and Analysis

### PRODUCT RESEARCH AND DEVELOPMENT

The Company continues to cooperate with DuPont Fibers (China) Limited and Donghua University which enables the Company to innovate and provide more high quality products to customers. For the year ended December 31, 2003, the Company innovated and developed 10 series of new products. These new products, representing approximately 70% of the total production of the Company, were all launched to the market during the year and were well received by customers. In order to enhance the quality of product developed by the Company and attract customers, the Company conducted regular customers surveys. Our sales team members also visited these potential customers so as to obtain their opinion of the Company's products and the fashion of the products in the coming seasons.

### PRODUCTION FACILITIES

The Company's state-of-the-art production facilities are located in the Zhejiang Province, the PRC. In view of the keen market competition in the textile industry, the Company has to find a way to enhance the product quality and reduce the production cost. To do this, the Company had been planning to set up an up-stream texturizing plant and a down-stream dyeing and finishing plant. During the year under review, the Company commenced to construct an up-stream texturizing plant. The Company is finding a business partner which can provide technical know-how for co-development of the texturizing business.

### SALES AND MARKETING

The Company's customers comprise both domestic and overseas customers. Domestic customers consist local textile wholesalers, garment manufacturers and trading companies in the PRC which were mainly located in the Zhejiang Province and Shanghai. Overseas customers, which are mainly textile wholesalers and import agents, were mainly located in the Middle East, Europe, Asia other than PRC, the North America and the Latin America. The Company's products which were directly exported to the overseas customers increased from approximately RMB45.61 million in 2002 to approximately RMB124.21 million in 2003. The increase was mainly attributable to the effort of the sales team of the Company in Hong Kong and Shanghai which have commenced operation since the first quarter of 2003. The Company intends to intensify sales and promotion effort in both the PRC and the overseas markets by expanding the Company's sales force and increasing marketing activities. The Company will increase its direct export sales proportion in order to increase profit margin. During the year, the Company actively participated in various trade fairs held in the PRC and overseas so as to gain exposure in the fabrics market and to popularize the Company's new products.

## Management Discussion and Analysis

### LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

#### Net current assets

As at December 31, 2003, the Company had net current assets of approximately RMB79.17 million.

As at December 31, 2003, the current assets comprised inventories of approximately RMB30.51 million, trade receivables of approximately RMB63.63 million, other receivables, deposits and prepayments of approximately RMB83.26 million, investment in securities of approximately RMB4.8 million, restricted cash of approximately RMB108.64 million and bank balances and cash of approximately RMB279.51 million.

As at December 31, 2003, the current liabilities comprised trade payables of approximately RMB36.02 million, other payables and accruals of approximately RMB25.64 million, amount due to a related company of approximately RMB24.88 million, taxation of approximately RMB17.93 million and borrowings due within one year of approximately RMB386.72 million.

#### Borrowings and banking facilities

The Company generally finances its operations and capital expenditures and other capital requirements with cashflow generated internally and banking facilities provided by its bankers and financing from related companies.

As at December 31, 2003, the Company had bank loans due within one year, other loans due after one year and bank loans due after one year of approximately RMB386.72 million, RMB13.23 million and RMB128 million respectively. The loans bear interest at prevailing market rates range from approximately 4.86% per annum to 7.06% per annum and repayable in installments over a period of six months to two years. The unsecured loans were jointly guaranteed by Zhejiang Gabriel Holdings Group Limited ("Zhejiang Gabriel"), a related company which Mr. Sun Li Yong, Ms. Fang Xiao Jian, Mr. Sun Jian Feng and Mr. Xia Xue Nian are also directors and shareholders of this company, another related company, Zhejiang Hongxing Sabrina Garments Co., Ltd. which Zhejiang Gabriel is its major shareholder, directors of the Company and independent third parties. The secured loans were pledged by restricted cash of approximately RMB108.64 million, land use rights, buildings, investment properties and plant and machinery situated in the PRC with net book values as at December 31, 2003 of approximately RMB4.04 million, RMB14.29 million, RMB23.32 million and RMB113.32 million respectively.

## Management Discussion and Analysis

### CAPITAL COMMITMENTS AND SIGNIFICANT INVESTMENTS

As at December 31, 2003, the Company had commitments of approximately RMB22,274,000 (2002: RMB8,367,000) for capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of property, plant and equipment.

### FORWARD CONTRACTS COMMITMENTS

As at December 31, 2003, the Company had forward contracts commitments expressed in Euro for the purpose of hedging against banking and other payables of Euro8,887,600 (2002: Euro9,123,000) and for speculative purpose of Euro3,571,600 (2002: Nil).

### MATERIAL ACQUISITIONS/DISPOSALS

During the year, the Company has an unlisted equity investments in 紹興縣加佰利貿易有限公司 (Shaoxing County Gabriel Trading Co, Ltd.) ("Shaoxing County Gabriel"), a private limited company established in the PRC of RMB4.8 million. Although the Company has 80% equity interest in Shaoxing County Gabriel, the financial statements of Shaoxing County Gabriel have not been accounted for because Shaoxing County Gabriel was established exclusively with a view to be disposed to an independent third party in the near future. Accordingly, the investment has been accounted for as other investments.

### SEGMENTAL INFORMATION

Segmental information of the Company is set out in note 4 to the financial statements.

### EMPLOYEE INFORMATION AND REMUNERATION POLICIES

As at December 31, 2003, the Company had 1,827 (2002: 1,608) employees, comprising 9 (2002: 8) in research and development, 29 (2002: 18) in sales and marketing, 1,661 (2002: 1,532) in production, 100 (2002: 18) in quality control, 9 (2002: 9) in Management, and 19 (2002: 23) in finance and administration. Remuneration is determined by reference to market terms and the performance, qualifications and experience of individual employee. Discretionary bonuses based on individual performance will be paid to employees as recognition of reward for their contribution. Other benefits include contributions to retirement scheme.

The Company has not experienced any disruption of its normal business operations due to labour disputes or significant turnover of staff. The Directors consider that the Company has maintained a very good relationship with its staff.

## Management Discussion and Analysis

### CHARGES ON COMPANY ASSETS

As at December 31, 2003 the Company's fixed assets (including land use right, Buildings investment property and plant and machinery) with an aggregate net book value of approximately RMB154.96 million (2002: approximately RMB121.9 million), were pledged as securities for the banking facilities granted to the Company.

Restricted cash of approximately RMB108.64 million (2002: RMB56.2 million) as at December 31, 2003 have been pledged as securities for the banking facilities granted to the Company.

### DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Except for disclosed in the section "Statement of business objectives" of the prospectus issued by the Company on October 31, 2002, the Company had entered into a joint venture agreement with a foreign investor to establish a texturizing plant which is an up-stream production process of fabrics in February 2004 so as to enhance the quality of raw materials and reduce the production cost of the Company. The total committed investment capital was US\$7 million with registered capital of US\$3.5 million that the Company has 75% interest in this investment. During the year, the Company was constructing a plant for the texturizing business. The Company will finance the cashflow needed for this investment by internal resources and banking facilities provided by its bankers. The texturizing business is expected to commence production by the third quarter of 2004. The Directors believe that the texturizing business will be another source of cash inflow to the Company in the near future.

### GEARING RATIO

The gearing ratio (total debts over total assets) of the Company as at December 31, 2003 was 75.54% (2002: 66.87%).

### FOREIGN EXCHANGE EXPOSURE

Renminbi currently is not a freely convertible currency. At present, the Company receives all of its revenues from sales in PRC and export sales in Renminbi and US dollars respectively. A portion of the Company's Renminbi revenues must be converted into other currencies to meet the Company's foreign currency obligations including purchases of imported equipment and materials; and payment of any dividends declared in respect of the H shares. Currently, the Company purchases all of its raw materials for production from PRC suppliers. The Directors believe that except for payment of imported equipment and payment of any dividends declared in respect of the H shares, the Company does not have any material foreign exchange exposure.

## Management Discussion and Analysis

### FOREIGN EXCHANGE EXPOSURE (Continued)

Under the existing foreign exchange regulation in the PRC, the Company may undertake current account foreign exchange transactions, including payment of dividends, without prior approval from SAFE, by producing commercial documents evidencing such transactions, provided that they are processed through Chinese banks licensed to engage in foreign exchange transactions.

Under the current foreign exchange system in the PRC, the Company is not able to hedge effectively against currency risk, including future depreciation of the Renminbi. Any depreciation in value of Renminbi versus US dollars could affect the ability of the Company to pay dividends in foreign currencies and the ability of the Company to import equipment and materials.

### CONTINGENT LIABILITIES

As at 31 December 2003, the Company did not have any significant contingent liabilities.

## Comparison of Business Objectives with Actual Business Progress

The following is a summary of the actual business progress in the comparison with the business objectives set out in the prospectus of the Company for the period from October 24, 2002 to December 31, 2003:

### Business objectives

### Actual business progress

#### Expansion of production capacity

- |   |              |
|---|--------------|
| 1. Commence feasibility studies on the installation of an additional 100 sets of shuttle-less looms to the production lines to increase the production capacity | In progress. |
|---|--------------|

#### Expansion of sales network

- |  |  |
|--|--|
| 1. Set up sales offices in 中國輕紡城 (China Light & Textile Industries City*)                      | In progress.   |
| 2. Continue to explore opportunities to expand the distribution network in the overseas market | In progress.   |
| 3. Participate in major sales exhibitions and trade shows                                      | The Company has participated in various exhibitions held in Europe, the PRC and Hong Kong during the year.                         |
| 4. Become brand products in Zhejiang Province  | In progress.   |
| 5. Place advertisement in the media to promote the Company's overall image                     | The Company has placed advertisements in various newspapers in Shaoxing and Hangzhou media to promote the overall corporate image. |

## Comparison of Business Objectives with Actual Business Progress

### Business objectives

### Actual business progress

#### Research and development of new fabric products

- |  |   |
|--|---|
| 1. Continue to provide training to the existing research and development staff   | In progress.                            |
| 2. Continue to jointly research, develop and promote new fabric products and new applications and manufacturing technologies with Donghua University   | In progress.                            |
| 3. Continue to jointly research, develop and promote new fibre products and new applications and manufacturing technologies with Dupont China in Zhejiang Yonglong New Fibre Material Promotion Centre | In progress.                            |
| 4. Continue to jointly research, develop and promote "T-400" technology and its related products with Dupont China   | In progress.                            |
| 5. Launch 4 new fabric products  | Launched to the market during the year. |

## Comparison of Business Objectives with Actual Business Progress

### USE OF NET PROCEEDS FROM THE ISSUING OF THE NEW SHARES

The Company raised net proceeds of HK\$48.3 million (after deduction of listing expenses) from the placing of shares and listing of the shares on GEM on November 8, 2002. From November 8, 2002 to December 31, 2003, the Company utilized approximately HK\$47,983,000 in accordance with the Company's business objectives as set out in the Prospectus, which include expansion of production capacity, expansion of sales network and research and development of new fabric products. An analysis of the use of proceeds as at December 31, 2003 is as follows:

	<b>Planned use of proceed as set out in the prospectus up to December 31, 2003 HK\$'000</b>	<b>Actual use of proceeds HK\$'000</b>
Payment of other payables for the purchase of 200 sets of looms	46,000	46,000
Expanding the sales network by setting up sales offices and participating in major sales exhibitions and trade shows	1,590	1,050
Placing advertisements in the media to promote the Company's overall image and to build up the Company's brand name and trademark	350	350
Development of new products, product research and product assessment	900	583
<b>Total</b>	<b>48,840</b>	<b>47,983</b>

The actual use of proceeds was lower than the estimation made in the prospectus because the Company applied a prudent approach in its use of proceeds.



## Directors and Senior Management's Profile

### EXECUTIVE DIRECTORS

Mr. Sun Li Yong (孫利永), aged 33, is the chairman and an executive director of the Company. Mr. Sun is the founder of the Company and is responsible for the strategic planning and overall management of the Company. Mr. Sun received his tertiary education from Shaoxing University (紹興文理學院) and completed a diploma course in business administration in 2002. He has over 9 years of experience in corporate management in the PRC.

Ms. Fang Xiao Jian (方曉健), aged 31, is an executive director of the Company and the spouse of Mr. Sun Li Yong. She is responsible for sales and marketing management of the Company. Ms. Fang received her tertiary education from Shaoxing University (紹興文理學院) and completed a diploma course in business administration in 2002. She has over 6 years of experience in the textile industry. She joined the Company in March 1998.

Mr. Sun Jian Feng (孫建鋒), aged 33, is an executive director of the Company. Mr. Sun is responsible for the financial management of the Company. Mr. Sun received his diploma in accounting from the Hangzhou University of Commerce (杭州商學院) in 1990. He has over 8 years of experience in finance and accounting. Mr. Sun joined the Company in June 1998.

Mr. Xia Xue Nian (夏雪年), aged 39, is an executive director of the Company. Mr. Xia is responsible for corporate administration of the Company. He received his tertiary education from Shaoxing University (紹興文理學院) and completed a diploma course in business administration in 2002. He has over 14 years of experience in the corporate management. Mr. Xia joined the Company in June 1999.

Mr. Li Cheng Jun (李成軍), aged 38, is the brother-in-law of Mr. Sun Li Yong, the chairman and an executive directors of the Company. Mr. Li is responsible for the product operation and manufacturing technology of the Company. From July 1986 to June 1994, Mr. Li was the project manager of 浙江省工業設備安裝公司 (Zhejiang Province Industrial Facilities Installation Company\*), a services company for installation of industrial facilities in Zhejiang Province. From July 1994 to March 1996, Mr. Li was the production manager of 浙江國宏經編工業有限公司 (Zhejiang Guohong Wrap Knitting Industrial Co., Ltd.\*), a company for manufacturing and sales of knitted wrap. From April 1996 to May 2002, Mr. Li was the project manager of 蕭山建築工程公司 (Xiaoshan Construction Engineering Company\*), a construction company. Mr. Li graduated from Zhejiang University of Technology (浙江工業大學) in 1986 and holds a degree in electronic engineering. Mr. Li has about 17 years of experience in the project and production management. Mr. Li joined the Company in June 2002.

## Directors and Senior Management's Profile

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lui Tin Nang (呂天能), aged 46, is an independent non-executive director of the Company. Mr. Lui has over 10 years experience in accounting and finance field. He is a practicing certified public accountant at T.N. Lui & Co., Certified Public Accountants in Hong Kong. He is a member of the Hong Kong Society of Accountants, a member of the Institute of Chartered Accountants in England & Wales, a member of the Chartered Institute of Management Accountants. From September 1992 to February 1994, he worked as an audit senior in K.C. Oh & Co.. From March 1994 to April 1995, he was a corporate finance executive in Shanghai International Capital (HK) Ltd.. From May 1995 to December 1996, he was an audit manager in P.W. Yam & Co.. Mr. Lui was appointed as an independent non-executive director of the Company in June 2002.

Mr. Luk Guo Qing (陸國慶), aged 39, is an independent non-executive director of the Company. Mr. Luk graduated from the Hangzhou University in 1986 and holds a degree in law. He is a licensed lawyer and is a partner of 浙江中法大律師事務所 (Zhejiang Zhong Fa Law Firm), a law firm in Zhejiang Province. He has extensive experience in securities law. During 1988 to 1998, he practiced in 浙江國大律師事務所. Mr. Luk was appointed as an independent non-executive director of the Company in May 2002.

### INDEPENDENT SUPERVISORS

Mr. Hu Jin Huan (胡金煥), aged 39, is an independent supervisor of the Company. He is responsible for performing the supervisory function in relation to the Company's board of directors, manager and other officers and report independently to the shareholders in general meeting of the Company. He is a PRC certified public accountant and is now working as an audit supervisor in Shaoxing Xingye Certified Public Accountants Firms (紹興興業會計師事務所). He was appointed as an independent supervisor of the Company in June 2002.

Mr. Wang He Rong (王和榮), aged 42, is an independent supervisor of the Company. He is responsible for performing the supervisory function in relation to the Company's board of directors, manager and other officers and report independently to the shareholders in general meeting of the Company. He is a PRC certified public accountant and is now working as an audit supervisor in Shaoxing Hongtai Certified Public Accountants Firms (紹興宏泰會計師事務所). He was appointed as an independent supervisor of the Company in June 2002.

## Directors and Senior Management's Profile

### SUPERVISORS

Mr. Shao Bao Hua (邵寶華), aged 38, is the supervisor of the Company who joined the Company in December 1999. He is working in the Finance Department of the Company. From 1989 to December 1999, he worked as accounts clerk in the finance department of 紹興縣經編廠 (Shaoxing Wrap Knitting Factory), a wrap manufacturing company in the Zhejiang Province. He was appointed as Supervisor of the Company in April 2002.

Mr. Luo Feng Fa (羅騰法), aged 28, is the supervisor of the Company who joined the Company in June 1998. He is the manager of the research and development department of the company. From 1998 to April 2002, he worked in the research and development department of 龍翔紡織有限公司 (Longxiang Textile Co., Ltd.\*), a textile manufacturing company in the Zhejiang Province. He graduated from 蘇州絲綢工業學院 (Suzhou Silk Technical College\*). He was appointed as Supervisor of the Company in April 2002.

### SENIOR MANAGEMENT

Ms. Chen Yen Yung (陳燕雲), aged 32, is the qualified accountant and company secretary of the Company and the spouse of Mr. Sun Jian Feng. Ms. Chen studied in the Hong Kong Polytechnic University for higher certificate in accountancy and holds a bachelor's degree in commerce (accounting) from the Curtin University of Technology, Western Australia. She has over 7 years of experience in accounting and finance field. She is a member of the Australian Society of Certified Public Accountants and an associate member of the Hong Kong Society of Accountants. From February 1995 to February 2001, she was an assistant manager of K. L. Lee & Partners CPA Limited, Certified Public Accountants in Hong Kong. From February 2001 to June 2002, she was a director of B & M Consultants Limited, a business consultancy services company in Hong Kong. She joined the Company in June 2002.

Mr. Ding Zhong Xin (丁忠心), aged 33, is the manager of the finance department of the Company. He completed business management from Shanghai Lisin Professional Accounting College (上海立信會計高等專科學校) and has over 12 years of experience in accounting and finance. From April 1990 to February 2002, he worked in 紹興縣信用聯社 (Shaoxing County Credit Cooperation), a finance company and was responsible for the loan arrangements with its clients in the Zhejiang Province. He joined the Company in February 2002.

## Directors and Senior Management's Profile

### SENIOR MANAGEMENT (Continued)

Mr. Dai Fu Qiang (戴富強), aged 33, is the manager of sales and marketing department of the Company. He has the overseas working experience, and with the abundant experience and knowledge in textile industry. He received his tertiary education from China Textile University (中國紡織大學) which changed its name to Donghua University (東華大學) in August 1999 and holds a bachelor degree of Textile Chemistry, majored in dyeing and finishing, and has over 9 years of experience in the international textile company. From July 1993 to August 1995, he worked in Shanghai Textile Research Institute. From September 1995 to July 1997, he worked in Shanghai FESCO, and worked for Dystar. He was responsible for sales and marketing of dyestuff. From May 1997 to June 1999 and from March 2001 to June 2003, he worked in DuPont Fibers (China) Ltd, which was engaged in sales and manufacturing of fibers in China. He was responsible for developing marketing strategies of the company's product in China, focus on Lycra\*, Tactel\*, Supplex\*, Thermolite\*, Coolmax\* etc.. From June 1999 to February 2001, he worked in Dupont Singapore Pte Ltd. which was engaged in sales and manufacturing of fibers in Singapore. He was responsible for developing the marketing strategies of the company's product in Asean, Thailand, Singapore, Malaysia, Indonesia, and Philippines. From June 2003 to December 2003, he worked in BASF China Company Ltd. and was responsible for developing and executing co-branding strategies and marketing strategies of the company which mainly focus on nylon chips of Ultramid\*. He will join the Company in April 2004.

Ms. Wong Ai Feng (王愛鳳), aged 67, is the head of research and development department of the Company. She obtained a degree in textile study from Hua Tung Textile Technical College 華東紡織工業學院 and has over 29 years of experience in textile and garment industries. From September 1974 to April 2002, she was a professor of Donghua University and was responsible for the course of textiles in Shanghai. She joined the Company in April 2002.

## Report of the Directors

The directors of the Company present their annual report and the audited financial statements of the Company for the year ended December 31, 2003.

### PRINCIPAL ACTIVITY

The Company is principally engaged in the research and development, manufacture and sale of woven fabrics.

### RESULTS AND APPROPRIATIONS

The results of the Company for the year ended December 31, 2003 are set out in the income statement on page 31 of the annual report.

On March 24, 2003, the management shareholders of the Company, namely Mr. Sun Li Yong, Ms. Fang Xiao Jian, Mr. Sun Jian Feng and Mr. Xia Xue Nian (the "Management Shareholders"), who are holding 382,200,000, 182,280,000, 5,880,000 and 5,880,000 domestic shares, and Mr. Fang Han Hong, a domestic share shareholder who is holding 11,760,000 domestic shares of the Company, entered into an agreement with the Company pursuant to which the Management Shareholders, Mr. Fang Han Hong agreed to give up their right to receive the final dividend of the Company for the year 2002. Therefore, the Company only paid the final dividend to the holders of the overseas-listed foreign shares ("H shares") of the Company.

A final dividend of RMB2,500,000 for the year ended December 31, 2002 was paid on June 6, 2003 to the holders of H Shares.

The Directors recommend the declaration of a final dividend at the rate of RMB1 cent per share for the year ended December 31, 2003 payable on June 23, 2004 to all persons whose names appeared on the register of members of the Company on April 16, 2004. The Management Shareholders entered into an agreement with the Company on March 26, 2004 pursuant to which the Management Shareholders agreed to give up their right to receive the final dividend of the Company for the year 2003. Therefore, the Company will only pay the final dividend for the year 2003 to holders of H shares of the Company. The share registers will be closed from April 16, 2004 to May 18, 2004, both days inclusive.

### INVESTMENT PROPERTY

During the year, the Company transferred certain of its properties from property, plant and equipment to investment properties for rental purpose.

Details of the investment properties of the Company during the year are set out in note 11 to the financial statements.

## Report of the Directors

### PROPERTY, PLANT AND EQUIPMENT

During the year, the Company spent approximately RMB42 million in aggregate on factory premises and other plant and machinery to expand and upgrade its production capacity.

Details of these and other movements in the property, plant and equipment of the Company during the year are set out in note 12 to the financial statements.

### SHARE CAPITAL

There was no movement in the Company's share capital during the year. Details of the share capital of the Company are set out in note 20 to the financial statements.

### DIRECTORS AND SUPERVISORS

The directors and supervisors of the Company during the year and up to the date of this report are:

#### Executive Directors:

Mr. Sun Li Yong  
Ms. Fang Xiao Jian  
Mr. Sun Jian Feng  
Mr. Xia Xue Nian  
Mr. Li Cheng Ju (appointed on January 9, 2004)  
Mr. Fang Han Hong (resigned on October 21, 2003)

#### Independent Non-Executive Directors:

Mr. Luk Guo Qing  
Mr. Lui Tin Nang

#### Supervisors:

Mr. Shao Bao Hua  
Mr. Luo Feng Fa  
Mr. He Dong Hui (appointed on January 9, 2004)  
Mr. Fang Guo Liang (resigned on October 21, 2003)

## Report of the Directors

### **DIRECTORS AND SUPERVISORS (Continued)**

#### **Independent Supervisors:**

Mr. Hu Jin Huan

Mr. Wang He Rong

Each of the directors and supervisors (including the independent non-executive directors and independent supervisors) has entered into a service agreement with the Company for three years from the date of appointment. Each of the directors and supervisors was appointed as director and supervisor of the Company respectively subject to termination in certain circumstances as stipulated in the relevant services contracts.

In accordance with the provisions of the Company's Articles of Association, the directors and supervisors are elected at a shareholders' meeting of the Company for a term of three years, renewable upon re-election and re-appointment.

## Report of the Directors

### DIRECTORS' AND SUPERVISORS' INTERESTS IN SECURITIES

At December 31, 2003, the interests and short positions of the directors, chief executives and supervisors in the shares underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which are required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.40 to 5.58 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") to be notified to the Company and the Stock Exchange were as follows:

#### Long positions

Name of director	Capacity	Number of domestic shares held	Approximate percentage of interests in domestic shares	Approximate percentage of interests in total registered capital
Mr. Sun Li Yong	Beneficial owner	382,200,000	65%	45.6%
	Held by spouse ( <i>Note 1</i> )	182,280,000	31%	21.8%
		564,480,000	96%	67.4%
Ms. Fang Xiao Jian	Beneficial owner	182,280,000	31%	21.8%
	Held by spouse ( <i>Note 2</i> )	382,200,000	65%	45.6%
		564,480,000	96%	67.4%
Mr. Sun Jian Feng	Beneficial owner	5,880,000	1%	0.7%
Mr. Xia Xue Nian	Beneficial owner	5,880,000	1%	0.7%

#### Short positions

None



## Report of the Directors

### DIRECTORS' AND SUPERVISORS' INTERESTS IN SECURITIES (Continued)

#### Notes:

1. Mr. Sun Li Yong is the husband of Ms. Fang Xiao Jian and shall be deemed by virtue of the SFO to be interested in 182,280,000 shares beneficially owned by Ms. Fang Xiao Jian.
2. Ms. Fang Xiao Jian is the wife of Mr. Sun Li Yong and shall be deemed by virtue of the SFO to be interested in 382,200,000 shares beneficially owned by Mr. Sun Li Yong.

Save as disclosed above, as at December 31, 2003, none of the directors, chief executives or supervisors had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the measuring of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed, to have such provisions of the SFO); (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

### ARRANGEMENTS TO PURCHASE H SHARES OR DEBENTURES

At no time during the year was the Company a party to any arrangements to enable the directors or supervisors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and neither the directors nor the supervisors, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

### DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 26 to the financial statements, no other contracts of significance to which the Company was a party and in which a director or a supervisor of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### CONNECTED TRANSACTIONS

Save as disclosed in note 26 to the financial statements, there were no other transactions which need to be disclosed as connected transactions in accordance with the requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

## Report of the Directors

### CONNECTED TRANSACTIONS (Continued)

The independent non-executive directors have reviewed the connected transactions set out in note 26 to the financial statements and in their opinion, these transactions entered into by the Group were:

- (i) in the ordinary and usual course of business of the Company;
- (ii) on normal commercial terms; and
- (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

### SUBSTANTIAL SHAREHOLDERS

So far as it is known to any directors, chief executives or supervisors of the Company, as at December 31, 2003, the interests and short positions of person in the shares and underlying shares of the Company which would fall to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO or which were required, pursuant to section 336 of Part XV of the SFO, to be entered in the register referred to therein were as follows:

#### Long positions

Name of director	Capacity	Number of H-share held	Approximate percentage of interests in H-share shares	Approximate percentage of interests in total registered capital
Martin Currie China Hedge Fund Limited	Investment manager	24,930,000 <i>(Note 1)</i>	9.97%	2.97%
J. P. Morgan Chase & Co.	Held by controlled corporation	20,000,000 <i>(Note 2)</i>	8.00%	2.39%
Mr. Chan Kiu Sun	Beneficial owner	19,000,000	7.60%	2.27%
Mr. Liu Yuen Sung, David	Beneficial owner	16,000,000	6.40%	1.91%

#### Notes:

1. Martin Currie China Hedge Fund Limited is controlled by Martin Currie Investment Management Limited. By virtue of the SFO, Martin Currie Investment Management Limited was deemed to be interest in the 24,930,000 shares held by Martin Currie China Hedge Fund Limited.
2. 20,000,000 shares are held by JF Asset Management Limited, which was 99.99% owned by J. P. Morgan Fleming Asset Management (Asia) Inc.. J. P. Morgan Chase & Co. indirectly wholly owns J. P. Morgan Fleming Asset Management (Asia) Inc. through its wholly owned subsidiary J. P. Morgan Fleming Asset Management Holdings Inc.

## Report of the Directors

### **SUBSTANTIAL SHAREHOLDERS (Continued)**

Save as disclosed above, as at December 31, 2003, there was no other person who was recorded in the register of the Company as having interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required, pursuant to section 336 of Part XV of the SFO, to be entered in the register referred to therein.

### **COMPETING INTERESTS**

None of the directors or the management shareholders (as defined in the GEM Listing Rules) of the Company and their respective associates (as defined in the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Company.

### **JOINT SPONSOR'S INTERESTS**

As at December 31, 2003, neither the sponsor of the Company, Kingsway Capital Limited ("Kingsway") and Guotai Junan Capital Limited ("Guotai Junan"), nor its directors, employees or any of their associates (as defined in the GEM Listing Rules), had any interest in any securities of the Company.

Pursuant to the agreement dated October 31, 2002 entered into between the Company, Kingsway and Guotai Junan, Kingsway and Guotai Junan received, and will receive, fees for acting as the Company's sponsor for the periods of the financial year ended December 31, 2002 and for a period of two years thereafter expiring on December 31, 2004.

### **MAJOR SUPPLIERS AND CUSTOMERS**

During the year, the five largest suppliers and customers of the Company accounted for approximately 55% and 45% of the Company's purchases and turnover, respectively. The largest supplier accounted for approximately 13% of the purchases of the Company. The largest customer accounted for approximately 16% of the turnover of the Company.

None of the directors, the supervisors, their associates or any shareholders which, to the knowledge of the directors, own more than 5% of the Company's issued share capital had any interest in the five largest suppliers or customers.

### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

The Company did not purchase, sell or redeem any of the Company's listed securities for the year ended December 31, 2003.

### **BOARD PRACTICES AND PROCEDURES**

The Company has complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules throughout the year ended December 31, 2003.

## Report of the Directors

### AUDIT COMMITTEE

The Company has established an audit committee in May 2002 with written terms of reference in compliance with Rules 5.23 to 5.25 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Company and provide advice and comments to the Board. The audit committee has two members comprising the two Independent Non-Executive Directors, Mr. Lui Tin Nang and Mr. Luk Guo Qing. Mr. Lui Tin Nang is the chairman of the audit committee.

The quarterly results for the three months ended March 31, 2003, June 30, 2003, September 30, 2003 of the Company and the audited financial statements of the Company for the year ended December 31, 2003 have been reviewed by the audit committee. The audit committee had held four meetings during the current financial year.

### PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association or the laws of the PRC, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

### JOINT AUDITORS

The financial statements were audited by Messrs. Deloitte Touche Tohmatsu and KLL Associates CPA Limited. A resolution will be submitted to the annual general meeting to re-appoint them as joint auditors.

On behalf of the Board of

**Zhejiang Yonglong Enterprises Co., Ltd.**

**Sun Li Yong**

*CHAIRMAN*

Zhejiang, the PRC, March 26, 2004

## Report of Supervisors

To: All Shareholders

We are the supervisory committee of Zhejiang Yonglong Enterprises Co., Ltd., in accordance with the Company Law of the PRC, requirements of the relevant laws and regulations of Hong Kong and the articles of association of the Company (the "Articles of Association") during the year ended December 31, 2003, exercised conscientiously its authority, safeguarded the interests of the shareholders and the Company, followed the principle of honesty and trustworthiness and worked cautiously and diligently.

During the year we carefully reviewed the use of the proceeds raised in strict compliance with the plan of use of proceeds disclosed in the Prospectus of the Company and provided reasonable suggestions and advice on the operations and development plans to the Directors and strictly and effectively monitored whether the policies and decisions made had conformed with the state laws and regulations and the Articles of Association or safeguarded the interests of the shareholders.

After review, we consider that the financial statements of the Company, audited by the joint auditors, Deloitte Touche Tohmatsu and KLL Associates CPA Limited, truly and sufficiently reflects the operating results and asset positions of the Company. We also reviewed the Directors' Report and the profit distribution proposal. We consider that the above report and proposal meet the requirements of the relevant regulations and Articles of Association. We have attended the meeting of the Board. We consider that the members of the Board, the general manager and other officers have strictly complied with the principle of honesty and trustworthiness, worked diligently and sincerely acted in the best interests of the Company. Up to now, none of the Directors, general manager and the officers have abused their powers, caused damage the interests of the Company and infringed upon the interests of the Company and its staff, nor have they violated any laws, regulations or the Company's Articles of Association.

We are satisfied with the various tasks achieved as well as the cost-effectiveness gained and are confident about the prospects of future development of the Company.

By order of the Board

**Zhejiang Yonglong Enterprises Co., Ltd.**

**He Dong Hui**

*Chairman of the Supervisory Committee*

Shaoxing, Zhejiang Province, The PRC

March 26, 2004

## Joint Auditors' Report

### **Deloitte Touche Tohmatsu**

DELOITTE TOUCHE TOHMATSU  
Certified Public Accountants  
26th Floor, Wing On Centre  
111 Connaught Road Central  
Hong Kong



KLL ASSOCIATES CPA LIMITED  
Suite 1303  
Shanghai Industrial Investment Building  
60 Hennessy Road, Wanchai  
Hong Kong

TO THE SHAREHOLDERS OF  
**ZHEJIANG YONGLONG ENTERPRISES CO., LTD.**

浙江永隆實業股份有限公司

*(established as a joint stock limited company in the People's Republic of China)*

We have audited the financial statements on pages 31 to 70 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

#### **Respective responsibilities of directors and auditors**

The Company's directors are responsible for the preparation of 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.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

#### **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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

## Joint Auditors' Report

### **Basis of opinion (Continued)**

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 as at December 31, 2003 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**DELOITTE TOUCHE TOHMATSU**  
*Certified Public Accountants*

**KLL ASSOCIATES CPA LIMITED**  
**Lee Ka Leung, Daniel**  
Practising Certificate Number P01220

Hong Kong, March 26, 2004

## Income Statement

For the year ended December 31, 2003

	NOTES	2003 RMB'000	2002 RMB'000
Turnover	4	466,669	405,883
Cost of sales		(403,597)	(344,368)
Gross profit		63,072	61,515
Other operating income		20,633	7,965
Selling expenses		(5,066)	(550)
Administrative expenses		(12,484)	(5,651)
Profit from operations	5	66,155	63,279
Finance costs	7	(17,758)	(3,046)
Profit before taxation		48,397	60,233
Taxation	8	(14,243)	(17,542)
Profit for the year		34,154	42,691
Dividend paid during the year	9	2,500	1,210
Earnings per share — basic	10	4.1 cents	8.3 cents



## Balance Sheet

At December 31, 2003

	NOTES	2003 RMB'000	2002 RMB'000 (Restated)
<b>Non-current assets</b>			
Investment properties	11	23,320	—
Property, plant and equipment	12	259,887	247,978
Restricted cash	23	—	3,000
		<b>283,207</b>	250,978
<b>Current assets</b>			
Inventories	13	30,510	45,115
Trade receivables	14	63,629	41,959
Other receivables, deposits and prepayments		83,256	36,280
Investment in securities	15	4,800	—
Restricted cash	23	108,640	53,200
Bank balances and cash		279,513	75,699
		<b>570,348</b>	252,253
<b>Current liabilities</b>			
Trade payables	16	36,017	34,279
Other payables and accruals		25,638	67,204
Bills payable		—	20,020
Amounts due to related companies	17	24,881	8,853
Taxation		17,927	15,189
Borrowings — due within one year	18	386,715	90,389
		<b>491,178</b>	235,934
<b>Net current assets</b>		<b>79,170</b>	16,319

## Balance Sheet

At December 31, 2003

	NOTES	2003 RMB'000	2002 RMB'000 (Restated)
Total assets less current liabilities		<b>362,377</b>	267,297
Non-current liabilities			
Amounts due to related companies	17	—	30,205
Borrowings — due after one year	18	<b>141,230</b>	63,066
Deferred tax liabilities	19	<b>12,392</b>	7,287
		<b>153,622</b>	100,558
NET ASSETS		<b>208,755</b>	166,739
Capital and reserves			
Paid-up capital	20	<b>83,800</b>	83,800
Reserves		<b>124,955</b>	82,939
SHAREHOLDERS' FUNDS		<b>208,755</b>	166,739

The financial statements on pages 31 to 70 were approved and authorised for issue by the Board of Directors on March 26, 2004 and are signed on its behalf by:

**Sun Li Yong**  
DIRECTOR

**Xia Xue Nian**  
DIRECTOR

## Statement of Changes in Equity

For the year ended December 31, 2003

	<b>Paid-up capital</b>	<b>Share premium</b>	<b>Assets revaluation reserve</b>	<b>Statutory surplus reserve</b>	<b>Statutory welfare fund</b>	<b>Accumulated profits</b>	<b>Total</b>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 20 (a))		(Restated)	(Note 20 (b))	(Note 20 (b))	(Note 20 (b))	(Restated)
At January 1, 2002	3,500	—	—	—	—	9,253	12,753
Additional capital injection	46,480	—	—	—	—	—	46,480
Transfer to capital upon conversion into a limited liability company	8,020	—	—	—	—	(8,020)	—
Transfer to capital upon conversion into a joint stock limited company	800	—	—	(201)	(100)	(499)	—
Issue of H shares	25,000	44,485	—	—	—	—	69,485
Expenses paid in connection with the issue of shares	—	(18,256)	—	—	—	—	(18,256)
Revaluation increase for the year	—	—	22,083	—	—	—	22,083
Adjustment on adoption of SSAP 12 (Revised)	—	—	(7,287)	—	—	—	(7,287)
Transfer	—	—	—	3,408	1,704	(5,112)	—
Profit for the year	—	—	—	—	—	42,691	42,691
Dividend	—	—	—	—	—	(1,210)	(1,210)
At December 31, 2002	83,800	26,229	14,796	3,207	1,604	37,103	166,739
Revaluation increase for the year	—	—	15,467	—	—	—	15,467
Deferred tax liability arising on assets revaluation	—	—	(5,105)	—	—	—	(5,105)
Transfer	—	—	—	3,045	1,523	(4,568)	—
Profit for the year	—	—	—	—	—	34,154	34,154
Dividend	—	—	—	—	—	(2,500)	(2,500)
At December 31, 2003	83,800	26,229	25,158	6,252	3,127	64,189	208,755

## Cash Flow Statement

For the year ended December 31, 2003

	2003 RMB'000	2002 RMB'000
OPERATING ACTIVITIES		
Profit from operations	66,155	63,279
Adjustments for:		
Government grant recognised as income	(1,596)	(5,484)
Interest income	(11,415)	(355)
Gain on disposal of property, plant and equipment	(13)	—
Allowances for bad and doubtful debts	251	—
Depreciation and amortisation of property, plant and equipment	21,679	7,248
Operating cash flows before movements in working capital	75,061	64,688
Decrease (increase) in inventories	14,605	(21,285)
Increase in trade receivables	(21,921)	(23,723)
Increase in other receivables, deposits and prepayments	(60,681)	(20,656)
Decrease in amount due from a subsidiary	—	11,026
Decrease in amount due from a related company	—	6,505
Increase (decrease) in trade payables	1,738	(1,039)
(Decrease) increase in other payables and accruals	(41,566)	42,054
(Decrease) increase in bills payable	(20,020)	20,020
Decrease in amounts due to related companies	—	(29,332)
Cash (used in) generated by from operations	(52,784)	48,258
Interest paid	(18,903)	(3,661)
Government grant received	4,047	7,935
People's Republic of China ("PRC") enterprise income tax paid	(14,476)	(3,016)
PRC enterprise income tax refunded	2,971	—
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(79,145)	49,516

## Cash Flow Statement

For the year ended December 31, 2003

	2003 RMB'000	2002 RMB'000
INVESTING ACTIVITIES		
Increase in restricted cash	(52,440)	(56,200)
Purchase of property, plant and equipment	(41,604)	(170,493)
Acquisition of investment in securities	(4,800)	—
Interest received	11,415	355
Proceeds from disposal of property, plant and equipment	1,321	—
Proceeds from disposal of a subsidiary	—	12,169
Proceeds from disposal of an associate	—	5,000
NET CASH USED IN INVESTING ACTIVITIES	<b>(86,108)</b>	(209,169)
FINANCING ACTIVITIES		
New borrowings raised	873,281	293,029
Repayment of borrowings	(487,537)	(149,304)
Advance from a related company	24,881	—
Repayment to a related company	(39,058)	(5,604)
Dividend paid	(2,500)	(1,210)
Proceeds from issue of H shares	—	69,485
Proceeds from additional capital injection	—	46,480
Share issue expenses	—	(18,256)
NET CASH GENERATED FROM FINANCING ACTIVITIES	<b>369,067</b>	234,620
NET INCREASE IN CASH AND CASH EQUIVALENTS	<b>203,814</b>	74,967
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<b>75,699</b>	732
CASH AND CASH EQUIVALENTS AT END OF YEAR, represented by bank balances and cash	<b>279,513</b>	75,699

## Notes to the Financial Statements

For the year ended December 31, 2003

### 1. GENERAL

The Company was initially established in the People's Republic of China (the "PRC") under the name of Shaoxing Hongxing Textile Factory, which was converted into a privately-owned limited liability company on March 28, 2002 in accordance with the PRC laws. In preparation for the listing of the Company's H shares, the Company converted into a joint stock limited company and the H shares of the Company are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited.

The Company is principally engaged in the research and development, manufacture, and sale of woven fabrics.

The Company's books and records are maintained in Renminbi ("RMB"), the currency in which the majority of the Company's transactions is denominated.

### 2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Company adopted, for the first time, the following Hong Kong Financial Reporting Standards ("HKFRs") issued by the Hong Kong Society of Accountants ("HKSA"), the term of HKFRs is inclusive of Statements of Standard Accounting Practice ("SSAP(s)") and interpretations approved by the HKSA.

#### Income Taxes

In the current year, the Company has adopted SSAP 12 (Revised) Income Taxes. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing difference arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific traditional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. As a result of this change in policy, the balances on the Company's asset revaluation reserve and deferred tax liability at January 1, 2003 have been decreased by RMB7,287,000 and an increased by RMB7,287,000 respectively.

## Notes to the Financial Statements

For the year ended December 31, 2003

### 2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE (Continued)

#### Government Grants

In the current year, the Company has adopted SSAP 35 Government grants. In accordance with SSAP 35, government grants are recognised as income over the periods necessary to match them with the relevant costs. The Group has elected to apply the requirements of SSAP 35 retrospectively, but the adoption of the SSAP has not had any material effect on the results for the current or prior accounting periods since government grants towards the acquisition of land use rights and building received in prior years have already been deducted from the cost of the relevant assets, and government grants received for immediate financial support have already been recognised as income.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of land use rights and buildings, and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

#### Turnover

Turnover represents the amounts received and receivable for goods sold, which is net of value-added tax, less returns and allowances, during the year.

#### Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Sub-contracting fee income is recognised when services are provided.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Rental income, including rentals invoiced in advance from properties let under operating leases, is recognised on a straight line basis over the term of the relevant lease.

#### Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

## Notes to the Financial Statements

For the year ended December 31, 2003

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Investment properties (Continued)

Investment properties are stated at their open market value. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

#### Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost or valuation less depreciation and amortisation and accumulated impairment losses.

Revaluation of land use rights and building is performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on revaluation of land use rights and buildings is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated profits.



## Notes to the Financial Statements

For the year ended December 31, 2003

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Property, plant and equipment (Continued)

Depreciation and amortisation is provided to write off the cost or valuation of property, plant and equipment, other than construction in progress, over their estimated useful lives from the date on which they become fully operational, using the straight line method, at the following rates per annum:

Land use rights	Over the term of the rights
Buildings	5%
Leasehold improvement	10%
Motor vehicles	20%
Plant and machinery	10%
Furniture, fixture and equipment	20%

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

#### Construction in progress

Construction in progress is stated at cost, which includes land cost and the related construction and borrowings costs, as appropriate, less any identified impairment loss. When the construction is completed and the asset is ready for its intended use, the related cost is transferred to an appropriate category of property, plant and equipment and depreciated in accordance with the above policy.

#### Impairment

At each balance sheet date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

## Notes to the Financial Statements

For the year ended December 31, 2003

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Impairment (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, cost of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average cost method. Net realisable value represents 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.

#### Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. No internally-generated intangible asset has been recognised and all development expenditures are recognised as expenses in the period in which they are incurred.

#### Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Where government grants are given for the purposes of immediate financial support to the Company with no further related cost to be incurred, the grants are recognised as income when they become receivable. Grants relating to assets are presented as a deduction from the cost of the relevant asset.

## Notes to the Financial Statements

For the year ended December 31, 2003

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Investments in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

#### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable and deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

#### Operating leases

Rentals payable under operating leases are charged to the income statement on a straight line basis over the term of the relevant leases.

## Notes to the Financial Statements

For the year ended December 31, 2003

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

#### **Foreign currencies**

Transactions in currencies other than RMB are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are re-translated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

#### **Forward contracts**

A forward contract is an agreement to exchange different currencies at a specified future date and at a specified rate. A non-speculative forward contract is one which is designated and effective as a hedge of a net investment in a foreign entity, of a foreign currency asset, of a net monetary asset or liability or of a firm commitment. All other forward contracts, or parts of forward contracts in excess of the amount hedged, are speculative.

Where a non-speculative forward contract is used as a hedge of a net monetary asset or liability, the gain or loss and the discount or premium on the contract is taken to the income statement.

Where a forward contract is speculative, the gain or loss should be credited or charged to the income statement.

#### **Retirement benefits scheme**

The retirement benefit scheme contributions arising from the PRC municipal government retirement scheme charged to the income statement represent contributions paid or payable by the Company at rates specified in the rules of the scheme.

## Notes to the Financial Statements

For the year ended December 31, 2003

### 4. SEGMENT INFORMATION

In accordance with the Company's internal financial reporting, the Company has determined that geographical segments is its primary reporting segment and business segments by its market are its secondary reporting segment.

#### Geographical segments

The Company's business is located in the PRC and its segment information by geographical location of its customers who are principally located in the PRC, The Middle East, Europe and Asia other than PRC. Segment information about these geographical markets is presented below:

#### 2003

	PRC RMB'000	The Middle East RMB'000	Europe RMB'000	Asia other than PRC RMB'000	Others RMB'000	Total RMB'000
TURNOVER	342,461	81,265	16,589	13,891	12,463	466,669
SEGMENT RESULT	17,171	19,417	4,197	6,118	3,448	50,351
Unallocated corporate income						20,633
Unallocated corporate expenses						(4,829)
Profit from operations						66,155
Finance costs						(17,758)
Profit before taxation						48,397
Taxation						(14,243)
Profit for the year						34,154

## Notes to the Financial Statements

For the year ended December 31, 2003

### 4. SEGMENT INFORMATION (Continued)

#### Geographical segments (Continued)

2003

The following is an analysis of the carrying amount of segment assets and segment liabilities, analysed by the geographical location of its customers:

	PRC RMB'000	The Middle East RMB'000	Europe RMB'000	Asia other than PRC RMB'000	Others RMB'000	Total RMB'000
<b>ASSETS</b>						
Segment assets	80,272	6,527	2,564	1,790	2,986	94,139
Unallocated corporate assets						759,416
Consolidated total assets						853,555
<b>LIABILITIES</b>						
Segment liabilities	28,641	5,082	1,011	556	727	36,017
Unallocated corporate liabilities						608,783
Consolidated total liabilities						644,800
<b>OTHER INFORMATION</b>						
Depreciation and amortisation	17,240	3,059	609	334	437	21,679
Unallocated capital expenditure						42,749

## Notes to the Financial Statements

For the year ended December 31, 2003

### 4. SEGMENT INFORMATION (Continued)

#### Geographical segments (Continued)

2002

	PRC RMB'000	The Middle East RMB'000	Europe RMB'000	Asia other than PRC RMB'000	Others RMB'000	Total RMB'000
TURNOVER	360,272	26,757	9,089	4,544	5,221	405,883
SEGMENT RESULT	45,816	4,923	2,374	1,563	2,484	57,160
Unallocated corporate income						7,965
Unallocated corporate expenses						(1,846)
Profit from operations						63,279
Finance costs						(3,046)
Profit before taxation						60,233
Taxation						(17,542)
Profit for the year						42,691

## Notes to the Financial Statements

For the year ended December 31, 2003

### 4. SEGMENT INFORMATION (Continued)

#### Geographical segments (Continued)

2002

The following is an analysis of the carrying amount of segment assets and segment liabilities, analysed by the geographical location of its customers:

	PRC RMB'000	The Middle East RMB'000	Europe RMB'000	Asia other than PRC RMB'000	Others RMB'000	Total RMB'000
<b>ASSETS</b>						
Segment assets	73,124	7,560	2,580	1,349	2,461	87,074
Unallocated corporate assets						<u>416,157</u>
Consolidated total assets						<u>503,231</u>
<b>LIABILITIES</b>						
Segment liabilities	30,955	2,136	650	285	253	34,279
Unallocated corporate liabilities						<u>302,213</u>
Consolidated total liabilities						<u>336,492</u>
<b>OTHER INFORMATION</b>						
Depreciation and amortisation	6,545	452	138	60	53	7,248
Unallocated capital expenditure						<u>42,749</u>

In addition to the analysis by the geographical location of its customers, the carrying amount of segment assets and capital expenditure, analysed by the geographical area in which the assets and liabilities are located in the PRC.



## Notes to the Financial Statements

For the year ended December 31, 2003

### 4. SEGMENT INFORMATION (Continued)

#### Business segments

The Company is solely engaged in manufacturing and sale of woven fabrics and most of the turnover and contribution to operating profit of the Company are located in the PRC. Accordingly, no segmental analysis was presented.

### 5. PROFIT FROM OPERATIONS

	2003 RMB'000	2002 RMB'000
Profit from operations has been arrived at after charging:		
Staff costs (including directors' and supervisors' remuneration):		
Staff costs	24,549	14,093
Retirement benefits scheme contributions	580	279
	<b>25,129</b>	14,372
Allowance for bad and doubtful debts	251	—
Auditors' remuneration	713	608
Depreciation and amortisation of property, plant and equipment	21,679	7,248
Research and development costs	300	275
and after crediting:		
Gain on disposal of property, plant and equipment	13	—
Government grants ( <i>note 27</i> )	1,596	5,484
Interest income	11,415	355
Net exchange gain	6,628	—
Rental income from investment properties, net of outgoings of approximately RMB54,000 (2002: Nil)	1,020	—

## Notes to the Financial Statements

For the year ended December 31, 2003

### 6. DIRECTORS', SUPERVISORS' AND EMPLOYEES' REMUNERATIONS

Details of emoluments paid by the Company to the directors and supervisors are as follows:

	2003 RMB'000	2002 RMB'000
Fees	—	—
Salaries and allowances	201	171
Retirement benefits scheme contributions	36	3
	<b>237</b>	174
Other emoluments for independent non-executive directors	142	71
Other emoluments for independent supervisors	24	12
Other emoluments for executive directors		
— basic salaries and allowances	54	41
— contributions to retirement benefits scheme	5	2
	<b>59</b>	43
Other emoluments for supervisors		
— basic salaries and allowances	11	47
— contributions to retirement benefits scheme	1	1
	<b>12</b>	48
	<b>237</b>	174

## Notes to the Financial Statements

For the year ended December 31, 2003

### 6. DIRECTORS', SUPERVISORS' AND EMPLOYEES' REMUNERATIONS (Continued)

The emoluments paid to the Directors and Supervisors during the year were as follows:

	2003 RMB'000	2002 RMB'000
Director A	1	9
Director B	11	9
Director C	12	9
Director D	9	8
Director E	13	8
Director F	13	—
Director G	106	53
Director H	36	18
Supervisor A	—	16
Supervisor B	—	16
Supervisor C	12	16
Supervisor D	12	6
Supervisor E	12	6
	<b>237</b>	<b>174</b>

#### Employees' emoluments

The emoluments of the five highest paid individuals were as follows:

	2003 RMB'000	2002 RMB'000
Salaries and allowances	370	92
Retirement benefits scheme contributions	5	20
	<b>375</b>	<b>112</b>

There were no directors' or supervisors' emoluments included in the five highest paid individuals during the year.

## Notes to the Financial Statements

For the year ended December 31, 2003

### 6. DIRECTORS', SUPERVISORS' AND EMPLOYEES' REMUNERATIONS (Continued)

#### Employees' emoluments (Continued)

The emoluments of each of the five highest paid employees are less than HK\$1,000,000 (equivalent to approximately RMB1,060,000) for the year.

During the year, no emoluments were paid by the Company to any of the Directors, Supervisors or the five highest paid individuals as an inducement to join or upon joining the Company or as compensation for loss of office.

For the year ended December 31, 2003, all of the Executive Directors and two Supervisors waived the emoluments of an aggregate amount of RMB331,000 (2002: RMB184,000).

### 7. FINANCE COSTS

	2003 RMB'000	2002 RMB'000
Interest on bank borrowings wholly repayable within five years	17,393	2,655
Interest on other borrowings wholly repayable within five years	1,510	1,006
	18,903	3,661
Less: Amounts capitalised in construction in progress	(1,145)	(615)
	<b>17,758</b>	3,046

Borrowing costs capitalised during the year arose on general borrowing pool and are calculated by applying a capitalised rate of 6.4% to expenditure on qualifying assets.

## Notes to the Financial Statements

For the year ended December 31, 2003

### 8. TAXATION

	2003 RMB'000	2002 RMB'000
The charge comprises:		
PRC enterprise income tax for the year	15,828	17,542
PRC enterprise income tax overprovided in prior year	(1,585)	—
	<b>14,243</b>	17,542

PRC enterprise income tax is calculated at the rate of 33% on the Company's estimated assessable profit for the year.

The income tax expense for the year ended December 31, 2003 can be reconciled to the net profit per the income statement as follows:

	2003 RMB'000	2002 RMB'000
Profit before taxation	48,397	60,233
Tax at the domestic income tax rate of 33% (2002: 33%)	15,971	19,877
Tax effect of expenses that are not deductible in determining taxable profit	2,560	437
Overprovision in previous years	(1,585)	—
Tax effect of income that are not taxable in determining taxable profit	(2,703)	(2,772)
Tax expense for the year	<b>14,243</b>	17,542

In addition to the amount charged to the income statement, deferred tax relating to the revaluation of the Company's land use rights and buildings has been charged directly to equity.

## Notes to the Financial Statements

For the year ended December 31, 2003

### 9. DIVIDEND PAID DURING THE YEAR

	2003 RMB'000	2002 RMB'000
Final dividend — 2002	2,500	—
Final dividend — 2001	—	1,210
	<b>2,500</b>	1,210

For the year ended December 31, 2003, a final dividend of approximately RMB2,500,000 for the year ended December 31, 2002 was paid on June 6, 2003 to the holders of H shares.

For the year ended December 31, 2002, the Company declared a dividend of approximately RMB1,210,000 from its distributable profits based on the statutory financial statements as at December 31, 2001 to its then shareholders in April 2002.

### 10. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit for the year of RMB34,154,000 (2002: RMB42,691,000) and 838,000,000 (2002: weighted average number of 514,786,519) shares in issue during the year.

Diluted earnings per share is not presented for the two years ended December 31, 2003 as there were no potential ordinary shares in existence for both years.

### 11. INVESTMENT PROPERTIES

	RMB'000
VALUATION	
Transferred from property, plant and equipment during the year and balance at December 31, 2003	<u>23,320</u>

The Group's investment properties are held under medium-term leases in the PRC for rental income under operating leases.

## Notes to the Financial Statements

For the year ended December 31, 2003

### 11. INVESTMENT PROPERTIES (Continued)

At December 31, 2003, these investment properties were revalued by BMI Appraisals Limited, a firm of independent professional valuers, on an open market value basis. There was no surplus or deficit arising on the revaluation.

### 12. PROPERTY, PLANT AND EQUIPMENT

	Land use rights	Building	Leasehold improvement	Motor vehicle	Plant and machinery	Furniture, fixtures and equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST/VALUATION								
At January 1, 2003	16,479	31,757	9,545	—	178,127	1,327	19,820	257,055
Additions	—	6,200	2	769	10,252	390	25,136	42,749
Transfer	—	26,987	863	378	—	(206)	(28,022)	—
Transferred to investment properties	(7,473)	(16,908)	—	—	—	—	—	(24,381)
Surplus arising on revaluation	2,706	10,519	—	—	—	—	—	13,225
Disposal	(720)	—	—	—	(668)	—	—	(1,388)
At December 31, 2003	10,992	58,555	10,410	1,147	187,711	1,511	16,934	287,260
Comprising:								
At cost	—	—	10,410	1,147	187,711	1,511	16,934	217,713
At valuation — 2003	10,992	58,555	—	—	—	—	—	69,547
	10,992	58,555	10,410	1,147	187,711	1,511	16,934	287,260
DEPRECIATION AND AMORTISATION								
At January 1, 2003	90	618	38	—	8,080	251	—	9,077
Provided for the year	317	2,291	499	200	18,236	136	—	21,679
Transferred to investment properties	(127)	(934)	—	—	—	—	—	(1,061)
Eliminated on disposal	(13)	—	—	—	(67)	—	—	(80)
Eliminated on revaluation	(267)	(1,975)	—	—	—	—	—	(2,242)
At December 31, 2003	—	—	537	200	26,249	387	—	27,373
NET BOOK VALUES								
At December 31, 2003	10,992	58,555	9,873	947	161,462	1,124	16,934	259,887
At December 31, 2002	16,389	31,139	9,507	—	170,047	1,076	19,820	247,978

## Notes to the Financial Statements

For the year ended December 31, 2003

### 12. PROPERTY, PLANT AND EQUIPMENT (Continued)

The buildings are situated on land held under medium-term land use rights in the PRC.

The cost of land use rights is amortised over the term of the rights on a straight line basis ranging from 46 years to 50 years.

At the balance sheet date, the interest costs capitalised in the construction in progress amounted to approximately RMB1,145,000 (2002: RMB615,000).

During the year ended December 31, 2002, the Company received government grants of approximately RMB4,803,000 in respect of the acquisition of land use rights and buildings and the amount had been deducted from the cost of the relevant assets.

If land use rights and buildings had not been revalued, they would have been included in the financial statements at historical cost less accumulated depreciation and amortisation at RMB4,552,000 (2002: RMB4,659,000) and RMB52,301,000 (2002: RMB21,055,000) respectively.

### 13. INVENTORIES

	2003 RMB'000	2002 RMB'000
Raw materials	3,578	4,897
Work in progress	6,199	10,450
Finished goods	20,733	29,768
	<b>30,510</b>	45,115

Included above are finished goods of RMB949,000 (2002: RMB253,000) which are carried at net realisable value.



## Notes to the Financial Statements

For the year ended December 31, 2003

### 14. TRADE RECEIVABLES

The Company allows an average credit period of 30 to 120 days to its trade customers. The aged analysis of trade receivables at the respective balance sheet dates is as follows:

	2003 RMB'000	2002 RMB'000
Within 30 days	46,854	27,266
31 – 60 days	5,411	4,207
61 – 90 days	2,139	1,546
91 – 120 days	5,685	6,195
121 – 180 days	51	1,151
181 – 365 days	2,132	1,594
Over 365 days	1,357	—
	<b>63,629</b>	41,959

### 15. INVESTMENT IN SECURITIES

	2003 RMB'000	2002 RMB'000
Other investment		
Unlisted equity interest	4,800	—

Other investments represent the Company's unlisted equity investment in 紹興縣加佰利貿易有限公司 (Shaoxing County Gabriel Trading Co. Ltd.) ("Shaoxing County Gabriel"), a private limited company established in the PRC. Although the Company has 80% equity interest in Shaoxing County Gabriel, the financial statements of Shaoxing County Gabriel have not been accounted for because Shaoxing County Gabriel was established exclusively with a view to be disposed to an independent third party in the near future. Accordingly, the investment has been accounted for as other investments.

## Notes to the Financial Statements

For the year ended December 31, 2003

### 16. TRADE PAYABLES

The aged analysis of trade payables at the respective balance sheet dates is as follows:

	2003 RMB'000	2002 RMB'000
Within 30 days	17,578	21,921
31 – 60 days	6,239	8,487
61 – 90 days	4,238	1,528
91 – 120 days	3,588	43
121 – 180 days	599	760
181 – 365 days	1,279	810
1 – 2 years	2,496	730
	<b>36,017</b>	<b>34,279</b>

### 17. AMOUNTS DUE TO RELATED COMPANIES

Name of related company	Notes	2003 RMB'000	2002 RMB'000
紹興嘉利紡織有限公司 (Shaoxing Jia Li Textile Co., Ltd.) (“Jia Li”)	(a)	—	20,000
紹興宏大針織廠 (Shaoxing Hongda Knitting Factory) (“Shaoxing Hongda”)	(b)	—	19,058
浙江加佰利控股集團有限公司 (Zhejiang Gabriel Holdings Group Limited) (“Zhejiang Gabriel”)	(c)	24,881	—
Total		24,881	39,058
Less: Amount repayable within one year		(24,881)	(8,853)
		—	30,205

## Notes to the Financial Statements

For the year ended December 31, 2003

### 17. AMOUNTS DUE TO RELATED COMPANIES (Continued)

*Notes:*

- (a) On July 31, 2002, the Company and Jia Li entered into an agreement (as amended by a supplemental agreement dated October 25, 2002) whereby the parties thereto agreed to convert the outstanding sum due from the Company to Jia Li under their current account into a fixed term unsecured interest free loan in an amount of RMB20,000,000 to be repaid by the Company by eight instalments upon the satisfaction of certain repayment conditions. According to the repayment schedule, the Company is required to settle RMB2,500,000 to Jia Li during the year. The directors reviewed the cash flow position of the Company and considered that the Company has positive cash flow and is sufficient to fund the repayment of the amount due and all the working capital needs of the Company for the financial year in which such repayment is required to be made and the Directors have confirmed that such repayment will not adversely affect the Company's operations or the implementation of its business objectives up to December 31, 2004. The Board resolved that the Company made full repayment of RMB20,000,000 to Jia Li during the year. At the balance sheet date, the amount due from the Company to Jia Li was fully settled. Mr. Xia Xue Nian, a director of the Company, has beneficial interests in this company.
- (b) The balance is unsecured, non-interest bearing and is repayable by three quarterly installments from October 31, 2003 onwards by using the internal source of fund subject to certain repayment conditions in accordance with an agreement entered between the Company and Shaoxing Hongda on July 16, 2002 (as amended by a supplemental agreement dated October 25, 2002). According to the repayment schedule, the Company is required to settle approximately RMB6,353,000 to Shaoxing Hongda during the year. The directors reviewed the cash flow position of the Company and considered that the Company has positive cash flow and is sufficient to fund the repayment of the amount due and all the working capital needs of the Company for the financial year in which such repayment is required to be made and the Directors have confirmed that such repayment will not adversely affect the Company's operations or the implementation of its business objectives up to December 31, 2004. The Board resolved that the Company made full repayment of approximately RMB19,058,000 to Shaoxing Hongda during the year. At the balance sheet date, the amount due from the Company to Shaoxing Hongda was fully settled. The legal representative of Shaoxing Hongda is the father of Mr. Sun Li Yong ("Mr. Sun"), a director and shareholder of the Company.
- (c) Messrs. Sun Li Yong, Xia Xue Nian and Sun Jian Feng and Ms. Fang Xiao Jian, directors of the Company, have beneficial interests in this company. The amount is interest bearing at prevailing market rate, unsecured and repayable on demand. During the year, the Company also made advance to this company and the maximum outstanding balance during the year amounted to approximately RMB68,312,000. At the balance sheet date, the net amount due to this company was approximately RMB24,881,000 (2002: Nil).

## Notes to the Financial Statements

For the year ended December 31, 2003

### 18. BORROWINGS

	2003 RMB'000	2002 RMB'000
Borrowings comprise:		
Bank loans	514,715	140,225
Other loans	13,230	13,230
	<b>527,945</b>	153,455
Analysed as:		
Secured (see note 23)	197,191	100,360
Unsecured	330,754	53,095
	<b>527,945</b>	153,455
Bank borrowings are repayable as follows:		
Within one year or on demand	386,715	77,159
More than one year but not exceeding two years	128,000	63,066
	<b>514,715</b>	140,225
Other borrowings are repayable as follows:		
Within one year or on demand	—	13,230
More than one year but not exceeding two years	13,230	—
	<b>13,230</b>	13,230
Total	<b>527,945</b>	153,455
Less: Amount repayable within one year or on demand and shown under current liabilities	<b>(386,715)</b>	(90,389)
Amount due after one year	<b>141,230</b>	63,066

## Notes to the Financial Statements

For the year ended December 31, 2003

### 18. BORROWINGS (Continued)

	2003 RMB'000	2002 RMB'000
The borrowings were guaranteed by:		
Zhejiang Gabriel and Sabrina ( <i>Note</i> )	10,000	—
Sabrina and directors of the Company	13,230	—
Zhejiang Gabriel, a director of the Company and an independent third party	20,000	—
A director of the Company and an independent third party	60,000	—
Independent third parties	99,800	13,230
Zhejiang Gabriel and an independent third party as joint guarantors	94,924	39,865
Zhejiang Gabriel and a director	60,000	—
Sabrina and an independent third party	7,200	—
	<b>365,154</b>	<b>53,095</b>

*Note:* 浙江宏興莎美娜服飾有限公司(Zhejiang Hongxing Sabrina Garments Co., Ltd.) ("Sabrina") is a subsidiary of Zhejiang Gabriel.

During the year, the Company obtained new bank and other loans in the amount of RMB873 million. The loans bear interest at prevailing market rates and repayable in instalments over a period of six months to two years. The proceeds were used to finance the acquisition of property, plant and equipment, repayment of amounts due to related companies and for working capital usage of the Company.

Included above is an amount of RMB30,000,000 in respect of bank loans which were advanced in September 2002 and were originally due for repayment in full in March 2004 and June 2004. Subsequent to the balance sheet date, the bank has agreed to reschedule the repayment date until June 2005. On the basis of the post year-end agreement to re-schedule the payments, the loan continues to be classified as non-current.

## Notes to the Financial Statements

For the year ended December 31, 2003

### 19. DEFERRED TAX LIABILITIES

	<b>Revaluation of land use rights and buildings</b>
	RMB'000
At January 1, 2002	—
Adjustment on adoption of SSAP 12 (revised) charged to equity	<u>7,287</u>
At December 31, 2002	7,287
Charged to equity for the year	<u>5,105</u>
At December 31, 2003	<u><u>12,392</u></u>

## Notes to the Financial Statements

For the year ended December 31, 2003

### 20. CAPITAL AND RESERVES

#### (a) Capital

Details of the capital of the Company are as follows:

	Number of shares	Value RMB'000
Registered capital at January 1, 2002	—	3,500
Increase in registered capital contributed by:		
— Injection of cash	—	46,480
— Capitalisation of reserves upon conversion into a privately-owned limited liability company	—	8,020
— Capitalisation of reserves upon conversion into a joint stock limited company	—	800
	<hr/>	
Registered capital before the Conversion	—	58,800
Conversion into 58,800,000 Domestic Shares of RMB1.00 each upon the Conversion	58,800,000	—
Subdivision of each issued share into 10 shares of RMB0.10 each	529,200,000	—
	<hr/>	
Registered, issued and fully paid Domestic Shares as at December 31, 2002 and 2003	588,000,000	58,800
	<hr/>	
Issue of H shares upon listing on the GEM, during the year ended December 31, 2002, as at December 31, 2002 and 2003	250,000,000	25,000
	<hr/>	
Balance of share capital of RMB0.10 each as at December 31, 2002 and 2003	838,000,000	83,800
	<hr/>	

## Notes to the Financial Statements

For the year ended December 31, 2003

### 20. CAPITAL AND RESERVES (Continued)

#### (a) Capital (Continued)

On March 26, 2002, the Company was converted into a privately-owned limited liability company. Upon the conversions, certain new investors contributed a total cash consideration of RMB46,480,140 as capital and the Company transferred from retained profits of RMB8,019,860 to capital. This transfer of the retained profits was approved by the relevant government authority and verified by a certified public accountant in the PRC.

On April 15, 2002, the Company was recognised and registered as a joint stock limited company. The registered capital was increased to RMB58,800,000 through the transfer of approximately RMB499,000, RMB201,000 and RMB100,000 from retained profits, statutory surplus reserve and statutory welfare fund respectively. This conversion was approved by the relevant government authority and verified by a certified public accountant in the PRC.

Prior to the conversion of the Company into a joint stock limited company in the PRC, the capital of the Company was not divided into shares and accordingly, no information regarding the number of shares is presented.

Pursuant to the resolutions of the shareholders' meeting held on October 25, 2002 and the approval issued by China Securities Regulatory Commission ("CSRC") on August 29, 2002, each Domestic Share of nominal value of RMB1.00 was sub-divided into ten Domestic Shares of nominal value of RMB0.10 each.

Pursuant to a resolution of the Shareholders' meeting held on October 25, 2002 and the approval dated August 29, 2002 issued by the CSRC, the Company is authorised to offer the H shares for subscription and apply for listing of the H Shares on GEM.

#### (b) Reserves

##### *Statutory surplus reserve*

As stipulated by the relevant PRC laws and regulations, when distributing the net profit for each year, the Company (after conversion to a limited liability company) shall set aside 10% of its net profit after taxation (based on the Company's PRC statutory accounts) for the statutory surplus reserve fund (except where the reserve balance has reached 50% of the Company's paid-up capital). The reserve fund can only be used, upon approval by the board of directors and by the relevant authority, to offset accumulated losses or increase capital.



## Notes to the Financial Statements

For the year ended December 31, 2003

### 20. CAPITAL AND RESERVES (Continued)

#### (b) Reserves (Continued)

##### *Statutory welfare fund*

As stipulated by the relevant PRC laws and regulations, the Company (after conversion to a limited liability company) shall appropriate 5% to 10% of its net profit after taxation (based on the Company's PRC statutory accounts) as the statutory welfare fund. The directors shall have discretion in determining the percentage within the range specified by the relevant PRC laws and regulations.

##### *Accumulated profits*

Profit appropriation is subject to the approval of the board of directors. In accordance with the Articles of Association of the Company, the reserve available for distribution is the lower of the amount determined under the accounting principles generally accepted in the PRC and the amount determined under accounting principles generally accepted in Hong Kong. As at December 31, 2003, the amount of reserve available for distribution was approximately RMB53,575,000 (2002: RMB28,469,000).

### 21. OPERATING LEASES

#### (a) Operating lease commitments

The Company made approximately RMB261,000 (2002: Nil) minimum lease payments under operating leases during the year in respect of land and buildings.

## Notes to the Financial Statements

For the year ended December 31, 2003

### 21. OPERATING LEASES (Continued)

#### (a) Operating lease commitments (Continued)

At the balance sheet date, the Company had commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	2003 RMB'000	2002 RMB'000
Within one year	748	441
More than one year but within five years	457	991
	<b>1,205</b>	1,432

Operating lease payments represent rentals payable by the Company for its office premises. Leases are negotiated for an average term of three years and rentals are fixed for the lease term.

#### (b) Operating lease arrangements

Property rental income earned during the year was RMB1,074,000 (2002: Nil). The properties are expected to generate rental yields of 6% on an ongoing basis.

At the balance sheet date, the Company had no operating lease arrangement at the balance sheet date.

### 22. CAPITAL COMMITMENTS

At the balance sheet date, the Company had commitments of approximately RMB22,274,000 (2002: RMB8,367,000) for capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of property, plant and equipment.

## Notes to the Financial Statements

For the year ended December 31, 2003

### 23. PLEDGE OF ASSETS

At the balance sheet date, certain assets of the Company with the following carrying values had been pledged to secure borrowings granted to the Company:

	2003 RMB'000	2002 RMB'000
Restricted cash	108,640	56,200
Investment property	23,320	—
Land use rights	4,038	9,410
Buildings	14,289	31,139
Plant and machinery	113,317	81,352
	<b>263,604</b>	178,101

### 24. FORWARD CONTRACTS COMMITMENTS

At the balance sheet date, the Company had forward contracts commitments, expressed in Euro, as follows:

	2003 EURO	2002 EURO
Principal amounts of forward contracts held for hedging purposes against bank borrowings and other payables		
— purchase of Euro	8,887,600	9,123,000
Principal amounts of forward contracts held for speculative purposes		
— purchase of Euro	3,571,600	—
	<b>12,459,200</b>	9,123,000

## Notes to the Financial Statements

For the year ended December 31, 2003

### 25. RETIREMENT BENEFIT SCHEME

The Company contributed to a local municipal government retirement scheme for all qualified employees in the PRC. The employer and its employees are each required to make contributions to the scheme at the rates specified in the rules. The only obligation of the Company with respect to the retirement scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The total cost charged to income statement of approximately RMB580,000 (2002: RMB279,000) represents contributions payable to the scheme by the Company during the year.

### 26. CONNECTED AND RELATED PARTY TRANSACTIONS

During the year, the Company had the following significant transactions with the related parties:

Name of related party	Nature	2003 RMB'000	2002 RMB'000
Zhejiang Hongxing	Subcontracting fee paid ( <i>Note 1</i> )	—	3,450
	Purchase of machinery ( <i>Note 1</i> )	—	1,298
Mr. Sun	Proceeds from disposal of an associate ( <i>Note 1</i> )	—	5,000
Sabrina	Rental income ( <i>Note 1</i> )	135	—
	Interest income ( <i>Note 2</i> )	2,939	—
	Interest expenses ( <i>Note 2</i> )	38	—
Zhejiang Gabriel	Interest income ( <i>Note 2</i> )	469	—
	Interest expenses ( <i>Note 2</i> )	1,020	—

Notes:

- The transactions were carried out in accordance with the relevant agreements.
- The interest is calculated with reference to prevailing market rate.

Details of the guarantee given by related parties to the financial institutions in respect of the loans granted to the Company as at December 31, 2002 and 2003 are set out in note 18.

Balances with related parties as at December 31, 2003 are set out in note 17.

## Notes to the Financial Statements

For the year ended December 31, 2003

### 27. GOVERNMENT GRANTS

Government grants of approximately RMB1,596,000 (2002: RMB5,484,000) have been received and receivable during the year for the encouragement of the development of business in Zhejiang Province. The amounts have been included in other operating income for the year.

During the year ended December 31, 2002, the Company received government grants of RMB4,803,000 towards the acquisition of land use rights and buildings. The amounts have been deducted from the cost of the relevant assets.

## Financial Summary

### RESULTS

	THE COMPANY			THE GROUP		
	(Note 1)			(Note 2)		
	For the year ended December 31,			For the year ended December 31,		
	2003	2002	2001	2002	2001	2000
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
TURNOVER	466,669	405,883	195,086	405,883	237,965	101,055
PROFIT BEFORE TAXATION	48,397	60,233	12,958	63,905	11,056	2,309
TAXATION	(14,243)	(17,542)	(4,490)	(17,542)	(4,490)	—
PROFIT BEFORE MINORITY INTERESTS	34,154	42,691	8,468	46,363	6,566	2,309
MINORITY INTEREST	—	—	—	—	28	40
NET PROFIT FOR THE YEAR	34,154	42,691	8,468	46,363	6,594	2,349

### ASSETS AND LIABILITIES

	At December 31,			At December 31,		
	2003	2002	2001	2002	2001	2000
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
TOTAL ASSETS	853,555	503,231	132,946	503,231	167,469	60,864
TOTAL LIABILITIES	(644,800)	(336,492)	(120,193)	(329,205)	(154,678)	(54,639)
MINORITY INTEREST	—	—	—	—	(4,317)	(4,345)
SHAREHOLDERS' FUNDS	208,755	166,739	12,753	174,026	8,474	1,880

## Financial Summary

*Note:*

- (1) The summary of the results and the assets and liabilities of the Company for the year ended December 31, 2001, 2002 and 2003 are extracted from the audited financial statements.
- (2) During the year ended December 31, 2002, the Company disposed of its entire interest in a subsidiary, Zhejiang Hongxing Sabrina Garments Co., Ltd. and its entire interest in an associate, Shaoxing Zhiye Real Estate Development Co., Ltd.. The summary of the consolidated results and the assets and liabilities of the Company for the two years ended December 31, 2000 and 2001 are extracted from the Accountants' Report included in the Prospectus of the Company dated October 31, 2002. The summary of the combined results of the Company and its former subsidiary and associate up to the date of disposal for the year ended December 31, 2002 are extracted from the management accounts of the Company and is prepared for information purposes only.
- (3) Prior year's figures have been adjusted to reflect the change in accounting policy for the adoption of SSAP12 (Revised) "Income Taxes" as described in note 2 to the financial statement.