

The background of the entire page features a light blue-to-white gradient with horizontal wavy lines. A faint, semi-transparent world map is centered in the background, showing the continents in a darker blue shade. The YGM logo is positioned in the upper left corner.

YGM
TRADING LTD.

YGM 貿易有限公司

INTERIM REPORT
中期報告 | 2003/2004

INTERIM RESULTS

The Board of Directors of YGM Trading Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries and associates (the "Group") for the six months ended 30th September 2003 as follows. The interim results have not been audited but have been reviewed by the Company's Audit Committee.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

(Expressed in Hong Kong dollars)

	Note	Six months ended 30th September	
		2003 (Unaudited) \$'000	2002 (Unaudited and restated) \$'000
Turnover	2	274,779	272,451
Cost of sales/services		(109,075)	(102,003)
		165,704	170,448
Other revenue		6,972	10,302
Other net income/(loss)		5,062	(12,558)
Selling and distribution expenses		(101,805)	(106,607)
Administrative expenses		(48,420)	(51,353)
Other operating expenses		(2,570)	(1,519)
Profit from operations		24,943	8,713
Finance costs		(707)	(400)
Profit on disposal of land and buildings		64,957	–
Share of profits less losses of associates		8,426	8,591
Profit from ordinary activities before taxation	3	97,619	16,904
Taxation	4	(2,643)	(3,298)
Profit from ordinary activities after taxation		94,976	13,606
Minority interests		30	(733)
Profit attributable to shareholders		95,006	12,873
Dividends	5	12,376	293,928
<i>Earnings per share – basic</i>	6	61.4 cents	8.3 cents

The notes on pages 5 to 18 form part of these interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*(Expressed in Hong Kong dollars)*

	Issued Share Capital \$'000	Share Premium \$'000	Capital Redemption Reserve \$'000	Land and Building Revaluation Reserve \$'000	Investment Property Revaluation Reserve \$'000	Retained Profits \$'000	Total \$'000
At 1st April 2003							
– as previously reported	77,348	132,504	4,181	49,057	–	185,611	448,701
– Effect of adopting SSAP 12 (revised)	–	–	–	(7,848)	–	17,879	10,031
	77,348	132,504	4,181	41,209	–	203,490	458,732
Exchange differences on translation of accounts of foreign entities	–	–	–	–	–	1,868	1,868
Effect of change in tax rate on deferred tax charged to reserves	–	–	–	(737)	–	–	(737)
Profit for the period	–	–	–	–	–	95,006	95,006
Dividend approved in respect of the previous year	–	–	–	–	–	(146,964)	(146,964)
At 30th September 2003	77,348	132,504	4,181	40,472	–	153,400	407,905
At 1st April 2002							
– as previously reported	77,348	132,504	4,181	20,632	32,683	457,068	724,416
– Effect of adopting SSAP 12 (revised)	–	–	–	(3,301)	–	16,840	13,539
	77,348	132,504	4,181	17,331	32,683	473,908	737,955
Exchange differences on translation of accounts of foreign entities	–	–	–	–	–	434	434
Profit for the period	–	–	–	–	–	12,873	12,873
Dividend approved in respect of the previous year	–	–	–	–	–	(49,504)	(49,504)
At 30th September 2002	77,348	132,504	4,181	17,331	32,683	437,711	701,758

CONDENSED CONSOLIDATED BALANCE SHEET

(Expressed in Hong Kong dollars)

	Note	30th September 2003 (Unaudited) \$'000	31st March 2003 (Audited and restated) \$'000
Non-current assets			
Fixed assets	7		
– Investment properties		38,400	38,400
– Other property, plant and equipment		129,425	145,108
		167,825	183,508
Interest in associates	8	111,811	70,586
Other financial assets		7,528	15,327
Deferred tax assets		15,843	11,344
		303,007	280,765
Current assets			
Investments		40,850	38,990
Inventories	9	95,026	62,639
Trade and other receivables	10	60,953	94,680
Cash and bank balances	11	93,177	152,402
		290,006	348,711
Current liabilities			
Trade and other payables	12	118,932	109,466
Bank loans and overdrafts	13	33,703	33,371
Provision for taxation		21,680	17,259
		174,315	160,096
Net current assets		115,691	188,615
Total assets less current liabilities		418,698	469,380
Non-current liabilities			
Deferred tax liabilities		1,903	1,447
Minority interests		8,890	9,201
NET ASSETS		407,905	458,732
CAPITAL AND RESERVES			
Share capital		77,348	77,348
Reserves		330,557	381,384
		407,905	458,732

The notes on pages 5 to 18 form part of these interim financial statements.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(Expressed in Hong Kong dollars)

	Six months ended 30th September	
	2003 (Unaudited) \$'000	2002 (Unaudited) \$'000
Net cash inflow from operating activities	35,033	18,648
Net cash from / (used in) investing activities	53,003	(4,401)
Net cash used in financing activities	(148,182)	(35,578)
Net decrease in cash and cash equivalents	(60,146)	(21,331)
Cash and cash equivalents at beginning of period	125,901	379,070
Effect of foreign exchange rates changes	589	(361)
Cash and cash equivalents at end of period	66,344	357,378
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	68,177	358,179
Bank overdrafts	(1,833)	(801)
	66,344	357,378

NOTES ON THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1. Basis of Preparation

The unaudited interim financial statements have been prepared in accordance with the requirements of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited, including compliance with the Statement of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants (“HKSA”).

The same accounting policies adopted in the 2003 annual accounts have been applied to these unaudited interim financial statements except as disclosed below.

Adoption of revised accounting policy on deferred tax

The HKSA issued revised SSAP 12 “Income taxes” in August 2002, which supersedes the previous SSAP 12 “Accounting for deferred taxes”. The revised standard became effective for accounting periods beginning on or after 1st January 2003. The Group has therefore adopted the revised standard for preparation of the Group’s unaudited interim financial statements for the six months ended 30th September 2003.

In prior years, deferred tax liabilities were provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatments of income and expenditure, which were expected with reasonable probability to crystallise in the foreseeable future. Deferred tax assets were not recognised unless their realisation was assured beyond reasonable doubt. With effect from 1st April 2003, in order to comply with SSAP 12 (revised) issued by the HKSA, the Group adopted the revised policy for deferred tax.

Under SSAP 12 (revised), deferred tax assets and liabilities arise from deductible and taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax bases respectively. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the assets can be utilised, are recognised. The limited exceptions are temporary differences arising from goodwill not deductible for tax purposes, negative goodwill treated as deferred income, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

NOTES ON THE UNAUDITED INTERIM FINANCIAL STATEMENTS (Continued)*(Expressed in Hong Kong dollars)***1. Basis of Preparation** (Continued)

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

The revised accounting policy has been adopted retrospectively with the opening balance of retained profits and reserves and the comparative information adjusted for the amounts relating to prior periods as disclosed in the condensed consolidated statement of changes in equity. These effects are summarised as follows :

	Net movements in deferred income taxes			
	Balance as at 1st April 2002 \$'000	Six months ended 30th September 2002 \$'000	Six months ended 31st March 2003 \$'000	Balance as at 1st April 2003 \$'000
Retained profits as previously reported	457,068			185,611
Effect of adopting SSAP 12 (revised)	16,840	1,714	(675)	17,879
Retained profits as restated	<u>473,908</u>			<u>203,490</u>

NOTES ON THE UNAUDITED INTERIM FINANCIAL STATEMENTS (Continued)*(Expressed in Hong Kong dollars)***1. Basis of Preparation** (Continued)

	Net movements in deferred income taxes			
	Balance as at 1st April 2002 \$'000	Six months ended 30th September 2002 \$'000	Six months ended 31st March 2003 \$'000	Balance as at 1st April 2003 \$'000
Land and building revaluation reserve as previously reported	20,632			49,057
Effect of adopting SSAP 12 (revised)	(3,301)	–	(4,547)	(7,848)
Land and building revaluation reserve as restated	<u>17,331</u>			<u>41,209</u>

2. Segment reporting

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

NOTES ON THE UNAUDITED INTERIM FINANCIAL STATEMENTS (Continued)*(Expressed in Hong Kong dollars)***2. Segment reporting** (Continued)**Business segments**

The Group comprises the following main business segments:

- Sales of garments
- Printing and related business
- Property rental

	Sales of garments 2003 \$'000	Printing and related business 2003 \$'000	Property rental 2003 \$'000	Inter- segment elimination 2003 \$'000	Unallocated 2003 \$'000	Consolidated 2003 \$'000
Revenue from external customers	252,450	15,301	2,398	–	4,630	274,779
Inter-segment revenue	–	457	3,168	(3,625)	–	–
Total	252,450	15,758	5,566	(3,625)	4,630	274,779
Segment result	19,941	478	2,448			22,867
Inter-segment transactions	1,343	387	(1,730)			–
Contribution from operations	21,284	865	718			22,867
Unallocated operating income and expenses						2,076
Profit from operations						24,943
Finance costs						(707)
Profit on disposal of land and buildings						64,957
Share of profits less losses of associates	6,272				2,154	8,426
Taxation						(2,643)
Minority interests						30
Profit attributable to shareholders						95,006

NOTES ON THE UNAUDITED INTERIM FINANCIAL STATEMENTS (Continued)*(Expressed in Hong Kong dollars)***2. Segment reporting** (Continued)**Business segments** (Continued)

	Sales of garments 2002 \$'000	Printing and related business 2002 \$'000	Property rental 2002 \$'000	Inter- segment elimination 2002 \$'000	Unallocated 2002 \$'000	Consolidated 2002 (restated) \$'000
Revenue from external customers	250,075	15,395	2,737	-	4,244	272,451
Inter-segment revenue	198	592	3,900	(4,690)	-	-
Total	250,273	15,987	6,637	(4,690)	4,244	272,451
Segment result	14,118	382	5,113			19,613
Inter-segment transactions	2,362	361	(2,723)			-
Contribution from operations	16,480	743	2,390			19,613
Unallocated operating income and expenses						(10,900)
Profit from operations						8,713
Finance costs						(400)
Share of profits less losses of associates	8,591					8,591
Taxation						(3,298)
Minority interests						(733)
Profit attributable to shareholders						12,873

Geographical segments

The Group's business is managed on a worldwide basis, but participates in three principal economic environments. Hong Kong, other areas of the People's Republic of China and Taiwan are the major markets for the Group's garment business. Hong Kong is the major market for all of the Group's other businesses.

NOTES ON THE UNAUDITED INTERIM FINANCIAL STATEMENTS (Continued)*(Expressed in Hong Kong dollars)***2. Segment reporting** (Continued)*Geographical segments* (Continued)

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

	Hong Kong	Other areas of the People's Republic of China	Taiwan	Others	Consolidated
	2003	2003	2003	2003	2003
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	169,637	50,940	47,071	7,131	274,779
Segment result	15,966	5,710	1,848	1,419	24,943

	Hong Kong	Other areas of the People's Republic of China	Taiwan	Others	Consolidated
	2002	2002	2002	2002	2002
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	174,121	40,404	51,796	6,130	272,451
Segment result	2,876	2,298	2,048	1,491	8,713

NOTES ON THE UNAUDITED INTERIM FINANCIAL STATEMENTS (Continued)*(Expressed in Hong Kong dollars)***3. Profit from ordinary activities before taxation**

	Six months ended 30th September	
	2003 \$'000	2002 \$'000
Profit from ordinary activities before taxation has been arrived at after charging:		
Interest on borrowings	707	400
Amortisation and depreciation	9,077	8,771
Net realised and unrealised losses on other securities carried at fair value	–	12,609
and after crediting :		
Interest income	2,511	5,269
Dividend income from listed securities	606	360
Net realised and unrealised gains on other securities carried at fair value	5,631	–

4. Taxation

	Six months ended 30th September	
	2003 \$'000	2002 (restated) \$'000
Provision for Hong Kong Profits Tax for the period	4,004	2,920
Overseas taxation	2,459	1,009
Deferred tax expenses relating to the origination and reversal of temporary differences	(3,700)	(1,688)
Effect of increase in tax rate on deferred tax balances as at 1st April 2003	(1,063)	–
	1,700	2,241
Share of associates' taxation	943	1,057
	2,643	3,298

NOTES ON THE UNAUDITED INTERIM FINANCIAL STATEMENTS (Continued)*(Expressed in Hong Kong dollars)***4. Taxation** (Continued)

The provision for Hong Kong Profits Tax is calculated at 17.5% (2002: 16%) of the estimated assessable profits for the period.

Taxation for overseas subsidiaries is similarly calculated at the appropriate current rates of taxation ruling in the relevant jurisdiction.

Deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date. In March 2003, the Hong Kong Government announced an increase in the Profits Tax rate applicable to the Group's operations in Hong Kong from 16% to 17.5% which was passed by the Legislative Council in July 2003. This increase is taken into account in the preparation of these unaudited interim financial statements.

5. Dividends

	Six months ended 30th September	
	2003 \$'000	2002 \$'000
Interim dividend declared of 8 cents (2002: 10 cents) per share	12,376	15,470
Special dividend declared of \$Nil (2002: \$1.80) per share	–	278,458
	12,376	293,928

At the board meeting held on 19th December 2003, the directors declared an interim dividend of 8 cents per share for the six months ended 30th September 2003 to shareholders whose names appear on the register of members of the Company on 6th January 2004.

6. Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders for the period of \$95,006,000 (2002 : \$12,873,000 restated) and 154,698,792 ordinary shares (2002: 154,698,792 shares) in issue during the period.

Diluted earnings per share for the periods ended 30th September 2003 and 30th September 2002 have not been presented as no dilutive potential ordinary shares were outstanding during the period.

NOTES ON THE UNAUDITED INTERIM FINANCIAL STATEMENTS (Continued)

(Expressed in Hong Kong dollars)

7. Fixed assets

Fixed assets include investment properties. The directors are of the opinion that no professional valuation is necessary in respect of the Group's investment properties and leasehold land and buildings as at 30th September 2003. However, the directors have considered that the values of the investment properties and leasehold land and buildings as at 30th September 2003 would not be materially different from the professional valuation made as at 31st March 2003 and, accordingly, no revaluation surplus or deficit has been recognised in the current period.

During the period, three shop premises in Parklane Shopper's Boulevard, Tsim Sha Tsui, Kowloon were disposed of to an independent third party at a net sales proceed of \$77,559,000 and a profit of \$64,957,000 was recognised in the condensed consolidated profit and loss account for the period ended 30th September 2003.

Other fixed assets are stated at cost or valuation less accumulated depreciation.

Certain investment properties with an aggregate carrying value of \$25,850,000 are pledged to banks for obtaining banking facilities of which the amount utilised as at 30th September 2003 amounted to \$12,000,000.

8. Interest in associates

During the period, the Company acquired 22% of the issued share capital of Chilli Investment Limited ("Chilli") which owns the entire registered capital of Hunan Sanjiu Nankai Pharmaceutical Company Limited. A positive goodwill of approximately \$26,000,000 arised from the aforesaid acquisition, which is amortised over 10 years on a straight-line basis.

9. Inventories

Inventories of the Group are stated net of a provision of \$56,776,000 (31st March 2003 : \$57,060,000) made in order to state these inventories at the lower of their cost and estimated net realisable value.

NOTES ON THE UNAUDITED INTERIM FINANCIAL STATEMENTS (Continued)*(Expressed in Hong Kong dollars)***10. Trade and other receivables**

	30th September 2003 \$'000	31st March 2003 \$'000
Debtors, bills receivable, deposits and prepayments	59,256	93,344
Amounts due from related companies	472	111
Club memberships	1,225	1,225
	60,953	94,680

All of the trade and other receivables, apart from club memberships of \$1,225,000 (31st March 2003 : \$1,225,000), are expected to be recovered within one year.

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

	30th September 2003 \$'000	31st March 2003 \$'000
Current	26,489	23,279
1 to 3 months	1,699	5,308
	28,188	28,587

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

NOTES ON THE UNAUDITED INTERIM FINANCIAL STATEMENTS (Continued)*(Expressed in Hong Kong dollars)***11. Cash and bank balances**

	30th September 2003 \$'000	31st March 2003 \$'000
Deposits with banks and other financial institutions	22,822	77,830
Deposits pledged with banks as securities (Note 13)	25,000	25,000
Cash at bank and in hand	45,355	49,572
	93,177	152,402

12. Trade and other payables

	30th September 2003 \$'000	31st March 2003 \$'000
Creditors and accrued charges	116,852	106,107
Amounts due to related companies	2,080	3,359
	118,932	109,466

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

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

	30th September 2003 \$'000	31st March 2003 \$'000
Due within 1 month or on demand	51,682	21,090
Due after 1 month but within 3 months	1,768	4,562
Due after 3 months but within 6 months	124	799
Due after 6 months but within 1 year	51	43
	53,625	26,494

NOTES ON THE UNAUDITED INTERIM FINANCIAL STATEMENTS (Continued)*(Expressed in Hong Kong dollars)***13. Bank loans and overdrafts**

	30th September 2003 \$'000	31st March 2003 \$'000
Unsecured bank overdrafts	1,833	1,501
Bank loans		
– secured	24,220	24,220
– unsecured	7,650	7,650
	33,703	33,371

All bank loans and overdrafts are payable within one year or on demand.

The banking facility of a subsidiary is secured by a mortgage over its investment properties with an aggregate carrying value of \$12,850,000 (31st March 2003 : \$12,850,000) and a fixed deposit of the Company amounting to \$12,000,000 (31st March 2003 : \$12,000,000). The banking facility of another subsidiary is secured by a fixed deposit of a fellow subsidiary amounting to \$13,000,000 (31st March 2003 : \$13,000,000). Such banking facilities, totalling \$24,220,000 (31st March 2003 : \$24,220,000) were fully utilised at 30th September 2003.

14. Commitments

There were no material capital commitments outstanding at 30th September 2003 (31st March 2003 : \$nil).

15. Contingent liabilities

At 30th September 2003, there were contingent liabilities in respect of guarantees given to banks by the Company in respect of banking facilities extended to certain subsidiaries amounting to approximately \$36,000,000 (31st March 2003 : \$34,000,000).

NOTES ON THE UNAUDITED INTERIM FINANCIAL STATEMENTS (Continued)*(Expressed in Hong Kong dollars)***16. Material related party transactions**

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

- (a) Transactions with and amounts paid to Yangtzekiang Garment Manufacturing Company Limited, its subsidiaries and associated companies ("Yangtzekiang Garment Manufacturing Group"). (Certain directors of the Company are collectively the controlling shareholders of both the Yangtzekiang Garment Manufacturing Group and the Group) :

	Six months ended 30th September	
	2003 \$'000	2002 \$'000
Purchases of traded products	5,378	4,289
Sales of traded products	564	21
Rental payable on properties	1,945	1,946
Management fee payable	372	372
Building management fee payable	162	162

The purchases and sales of traded products and rental transactions were in the opinion of the directors carried out on prices and terms comparable to those offered to or by independent third parties. The management fees were charged for administration, business strategy, personnel, legal and company secretarial work, accounting and management services provided. The management fee was determined annually between the respective parties after negotiations having regard to the cost of services provided. Yangtzekiang Garment Manufacturing Group and the Group have not entered into any management contract in respect of the said services .

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

	Six months ended 30th September	
	2003 \$'000	2002 \$'000
Sales of traded products	917	443
Purchases of traded products	–	11

The sales and purchases of traded products were in the opinion of the directors carried out on prices and terms comparable to those offered to or by independent third party suppliers.

NOTES ON THE UNAUDITED INTERIM FINANCIAL STATEMENTS (Continued)*(Expressed in Hong Kong dollars)***16. Material related party transactions** (Continued)

- (c) Transactions with Hang Ten Group Holdings Limited (“HTGH”) and its subsidiaries (“HTGH Group”). (A director of the Company and certain directors of a subsidiary of the Company are both directors and shareholders of HTGH.):

	Six months ended 30th September	
	2003 \$'000	2002 \$'000
Rental payable on properties	86	827
Rental receivable on properties	94	109

The rental transactions were in the opinion of the directors carried out on prices and terms comparable to those offered to or by independent third parties.

- (d) Outstanding balances due from/(to) related companies as at :

	30th September 2003 \$'000	31st March 2003 \$'000
	Amount due from YGM Marketing Pte Limited	472
Amount due to HTGH Group	(18)	(117)
Amount due to Yangtzekiang Garment Manufacturing Group	(2,062)	(3,242)

The outstanding balances with related companies are unsecured, interest-free and repayable on demand.

- (e) Transactions with non-wholly owned subsidiaries :

Sales of traded products by the Group’s wholly-owned subsidiaries to certain non-wholly owned subsidiaries and the related period end trade balances have been eliminated on consolidation.

17. Comparative figures

Comparative figures have been restated based on the requirement of the revised accounting standard as set out in Note 1 to the unaudited interim financial statement.

INTERIM DIVIDEND

The Board resolved that an interim dividend of 8 cents per share (2002 : 10 cents per share) will be payable on 15th January 2004.

CLOSURE OF REGISTER OF MEMBERS

The shareholders register will be closed from 7th January 2004 to 12th January 2004, both days inclusive. In order to qualify for interim dividend, transfers must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Tuesday 6th January 2004.

MANAGEMENT DISCUSSION AND ANALYSIS

Results and business review

The Group's unaudited consolidated turnover for the six months ended 30th September 2003 increased slightly from \$272,451,000 of last year same period to \$274,779,000. This small improvement came from a 26% growth in sales in the Mainland China market. Profit attributable to shareholders for the six months ended 30th September 2003 surged from \$12,873,000 (restated) to \$95,006,000. Major attributes to the increase are :

1. a profit of \$64,957,000 was realised from disposal of three shop premises in Parklane Shopper's Boulevard, Tsim Sha Tsui, Kowloon.
2. an unrealised gain on our shareholding in Ashworth, Inc. carried at fair value amounting to \$2,906,000 was recorded in the current period while a provision for mark down to market value of \$14,200,000 was made in last year same period.
3. interest income dropped from \$5,269,000 of last year same period to \$2,511,000 as result of low deposit rates coupled with a decrease in net cash balances due to dividend payments totaling \$440,892,000 during the past twelve months.

The Group's operations were adversely affected by the outbreak of Severe Acute Respiratory Syndrome ("SARS") in Hong Kong, Taiwan and Mainland China. During the April to May SARS period, the retail and wholesale of apparels, which accounted for more than 85% of the Group's turnover, declined sharply as compared to last year same period, mainly as a result of the impact on the Hong Kong market. Sales in Hong Kong improved significantly from June to recover the lost sales in the SARS period which was brought about by the recovery of local tourism industry as a result of an increase in visitors from Mainland China. Sales in Mainland China was not significantly affected during the SARS period and continued to grow steadily in the current period.

During the period, the Group distributed Aquascutum, Ashworth and Michel Rene in Hong Kong, Mainland China and Taiwan and currently operates 39 outlets in Hong Kong, 5 outlets in Macau, 150 outlets in Mainland China and 38 outlets in Taiwan, making a total of 232 outlets.

Contribution from operations of property rental dropped significantly from \$2,390,000 of last year to \$718,000, mainly due to a reduction of rental income resulting from disposal of three shop premises in Parklane Shopper's Boulevard, Tsim Sha Tsui, Kowloon. Printing and garment manufacturing earned a steady profit in the current period. Cosmetic trading group contributed a loss of about \$685,000 in the six months period ended 30th September 2003.

Prospects

The favourable impact on local economy brought about by the recovery of tourism industry resulted from an increase in visitors from Mainland China and the Closer Economic Partnership Arrangement between Hong Kong and Mainland China would benefit the general local retail scene, and thus the Group's retail and wholesale business in Hong Kong. With the recovery of local economy and the persistent GDP growth of over 7% in the Mainland China, the Group will continue to explore opportunities for development of its business in Hong Kong and Mainland China.

Investment in a new associate

On 25th March 2003, the Company entered into an agreement with Bio Partner Limited ("Bio"). Under this agreement, the Company acquired 22% of the issued share capital of Chilli Investment Limited ("Chilli"), a wholly-owned subsidiary of Bio, in consideration for the cancellation and discharge of a loan of \$30,000,000 due from Bio. The principal asset of Chilli is its interest in the entire registered capital of Hunan Sanjiu Nankai Pharmaceutical Company Limited. The sale and purchase was completed on 1st April 2003. Profit after tax attributable to the Group was \$2,154,000 for the six months ended 30th September 2003.

Capital expenditure

During the period, besides the investment in a new associate as stated above, the Group spent approximately \$6,026,000 in the recurring additions and replacement of fixed assets, compared to \$9,686,000 last year same period.

Liquidity and financial resources

The Group's total net assets as at 30th September 2003 was \$407,905,000 as compared with \$458,732,000 (restated) as at 31st March 2003. The Group continues to maintain a prudent approach to manage its financial requirements. During the period, dividends totalling \$146,964,000 were paid. Hence, as at 30th September 2003, the Group had cash net of overdrafts and short-term bank loans of \$59,474,000, representing a decrease of \$59,557,000 as compared with 31st March 2003. Most of the cash balance was placed in USD and HKD short-term deposits with major banks in Hong Kong.

The Group's gearing ratio at the period end was 0.083 which was calculated based on total borrowings of \$33,703,000 and shareholders' funds of \$407,905,000. The Group's borrowings are on a floating rate basis.

The Group also maintains a conservative approach on foreign exchange exposure management. The Group's income and expenditure streams are mainly denominated in Hong Kong Dollars, New Taiwan Dollars and Renminbi. To manage currency risks, non Hong Kong Dollars assets are financed primarily by matching local currency debts as far as possible.

As at 30th September 2003, certain investment properties with an aggregate carrying value of \$25,850,000 are pledged to banks for obtaining banking facilities of which the amount utilised amounted to \$12,000,000. And, certain deposits with banks totalling \$25,000,000 are pledged to banks for obtaining banking facilities for the Group.

As at 30th September 2003, there were contingent liabilities in respect of guarantees given to banks by the Company in respect of banking facilities extended to certain subsidiaries amounting to approximately \$36,000,000, as compared with \$34,000,000 as at 31st March 2003.

Human resources

As at 30th September 2003, the Group's total number of employees was about 2,500. The Group offers a competitive remuneration package to its employees, including medical subsidies and retirement contribution. In addition, bonus and share options may be granted to employees based on the Group's performance and individual performance.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

As at 30th September 2003, the directors and chief executive of the Company had the following interests in the issued share capital of the Company or any of its associated corporations (within the meaning Part XV of the Securities and Futures Ordinance ("the SFO") as recorded in the register required to be kept by the Company under Section 352 of the SFO or notified to the Company and The Stock Exchange of Hong Kong Limited ("SEHK") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies :

Number of ordinary shares of \$0.50 each

Name of director	Nature of interests	Personal interests	Family interests	Corporate interests	Other interests	Total	% of total issued share capital
Chan Sui Kau	(i)(a) to (c)	5,929,272	214,368	3,840,820	29,932,264	39,916,724	25.8%
Chan Wing Fui, Peter	(i) & (ii)	324,068	100,000	–	67,445,652	67,869,720	43.9%
Chan Wing Sun, Samuel	(i) & (ii)	2,072,072	–	–	67,445,652	69,517,724	44.9%
Chan Suk Ling, Shirley	(i)	3,613,544	16,000	–	64,528,172	68,157,716	44.1%
Chan Wing Ming, Michael	(i)	2,967,208	–	–	64,528,172	67,495,380	43.6%
Chan Wing Kee	(i), (ii) & (iii)	3,692,776	819,404	–	69,042,652	73,554,832	47.5%
Chan Wing To	(i), (ii) & (iii)	4,144,736	–	–	69,042,652	73,187,388	47.3%
Fu Sing Yam, William		361,068	–	–	–	361,068	0.2%

- (i) (a) 18,920,700 shares of the Company were held by Chan Family Investment Corporation Limited and its subsidiaries for the benefit of members of the Chan family including Messrs Chan Sui Kau, Chan Wing Fui Peter, Chan Wing Kee, Chan Wing Sun Samuel, Chan Wing To, Chan Wing Ming Michael and Madam Chan Suk Ling Shirley.
- (b) 7,291,144 shares of the Company were held by Runneymede Consultants Limited and its subsidiary for the benefit of members of the Chan family including Messrs Chan Sui Kau, Chan Wing Fui Peter, Chan Wing Kee, Chan Wing Sun Samuel, Chan Wing To, Chan Wing Ming Michael and Madam Chan Suk Ling Shirley.
- (c) An aggregate of 3,720,420 shares of the Company were held under various companies established for the benefit of members of the Chan family including Messrs Chan Sui Kau, Chan Wing Fui Peter, Chan Wing Kee, Chan Wing Sun Samuel, Chan Wing To, Chan Wing Ming Michael and Madam Chan Suk Ling Shirley.

- (d) 34,595,908 shares of the Company were held by Canfield Holdings Limited which is beneficially owned by certain directors of the Company, namely, Messrs Chan Wing Fui Peter, Chan Wing Kee, Chan Wing Sun Samuel, Chan Wing To, Chan Wing Ming Michael and Madam Chan Suk Ling Shirley.
- (ii) 2,917,480 shares of the Company were held by Hearty Development Limited which is beneficially owned by Messrs Chan Wing Fui Peter, Chan Wing Kee, Chan Wing Sun Samuel and Chan Wing To.
- (iii) 1,597,000 shares of the Company were held by Super Team International Limited which is beneficially owned by Messrs Chan Wing Kee, Chan Wing To and certain members of the Chan family.

At no time during the period was the Company, its subsidiaries or its associated companies a party to any arrangement to enable the directors or chief executive of the Company (including their spouses and children under eighteen years of age) to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or its associated corporations.

Save as disclosed above, as at 30th September 2003, none of the directors and chief executive of the Company has, nor were they taken to or deemed to have under such provisions of the SFO, any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation or any interests which are required to be entered into the register kept by the Company pursuant to Section 352 of the SFO.

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

The register of substantial shareholders required to be kept by the Company under Section 336 of the SFO shows that, as at 30th September 2003, the Company had been notified of the following substantial shareholders' interests, being 5% or more of the issued share capital of the Company.

Name of shareholder	Number of ordinary shares of \$0.50 each	
	Number of ordinary shares held	% of total issued share
Canfield Holdings Limited	34,595,908*	22.36%
Chan Family Investment Corporation Limited	18,920,700*	12.23%

* The shareholding are duplicated in the "Directors' interests in shares" as disclosed above.

Save as disclosed above, the Company had not been notified by any persons who had interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company under the SFO.

CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS

Details of the connected transactions under Chapter 14 of the Rules Governing the Listing of Securities On The Stock Exchange of Hong Kong Limited (the "Listing Rules") are set out in Note 16 on the unaudited interim financial statements. In the opinion of the independent non-executive directors, the connected transactions were :

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

Apart from the foregoing, no contract of significance to which the Company or any of its subsidiaries was a party, in which a director of the Company had a material interest, subsisted at the end of the period or at any time during the period.

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

There were no purchases, sales or redemption of the Company's listed securities by the Company or any of its subsidiaries during the period.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

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

AUDIT COMMITTEE

The audit committee comprises two independent non-executive directors and reports to the board of directors. The audit committee meets with the Group's senior management and external auditors regularly to review the effectiveness of the internal control systems and the interim and annual reports of the Group.

By order of the Board
Chan Sui Kau
Chairman

Hong Kong, 19th December 2003