(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

(b) Basis of preparation of the financial statements

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

(c) Subsidiaries and controlled enterprises

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Associates

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

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

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

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

(e) Goodwill

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

– for acquisitions before 1st April, 2001, positive goodwill is eliminated against reserves and is reduced by impairment losses (see note 1(l)); and

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Goodwill *(Continued)*

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

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

– for acquisitions before 1st April, 2001, negative goodwill is credited to a capital reserve; and

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

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

  – for controlled subsidiaries, such negative goodwill is shown in the consolidated balance sheet as a deduction from assets in the same balance sheet classification as positive goodwill; and

  – for associates, such negative goodwill is included in the carrying amount of the interests in associates.

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Non-trading securities

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

(i) Non-trading securities are stated in the balance sheet at fair value. Changes in fair value are recognised in the investment revaluation reserve until the security is sold, collected, or otherwise disposed of, or until there is objective evidence that the security is impaired, at which time the relevant cumulative gain or loss is transferred from the investment revaluation reserve to the income statement.

(ii) Transfers from the investment revaluation reserve to the income statement as a result of impairments are reversed when the circumstances and events that led to the impairment cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(iii) Profits or losses on disposal of investments in securities are determined as the difference between the estimated net disposal proceeds and the carrying amount of the investments and are accounted for in the income statement as they arise. The profit or loss includes any amount previously held in the investment revaluation reserve in respect of that security.

(g) Other investments

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

(h) Fixed assets

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

– investment properties with an unexpired lease term of more than 20 years are stated in the balance sheet at their open market value which is assessed annually by external qualified valuers;

– land and buildings held for own use are stated in the balance sheet at cost or valuation less accumulated depreciation (see note 1(i)) and impairment losses (see note 1(l)).

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

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Fixed assets *(Continued)*

(ii) Changes arising on the revaluation of investment properties and land and buildings held for own use are generally dealt with in reserves. The only exceptions are as follows:

– when a deficit arises on revaluation, it will be charged to the income statement, if and to the extent that it exceeds the amount held in the reserve in respect of that same asset, or solely in the case of investment properties, the portfolio of investment properties, immediately prior to the revaluation; and

– when a surplus arises on revaluation, it will be credited to the income statement, if and to the extent that a deficit on revaluation in respect of that same asset, or, solely in the case of investment properties, the portfolio of investment properties, had previously been charged to the income statement.

(iii) Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(iv) Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the income statement on the date of retirement or disposal. On disposal of an investment property, the related portion of surpluses or deficits previously taken to the investment properties revaluation reserve is also transferred to the income statement for the year. For all other fixed assets, any related revaluation surplus is transferred from the revaluation reserve to retained profits.

(i) Amortisation and depreciation

(i) No depreciation is provided on investment properties with an unexpired lease term of over 20 years or on freehold land.

(ii) Depreciation is calculated to write off the cost or valuation of other fixed assets over their estimated useful lives as follows:

– leasehold land is depreciated on a straight-line basis over the remaining term of the lease;

– land use rights are included under land and buildings and are amortised on a straight-line basis over a period of 50 years;

– buildings are depreciated on a straight-line basis over their estimated useful lives of 10 to 40 years; and

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Amortisation and depreciation *(Continued)*

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

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

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

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

(j) Construction in progress

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

(k) Leased assets

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

(i) Assets held for use in operating leases

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

(ii) Operating lease charges

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Impairment of assets

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

– fixed assets (other than properties carried at revalued amounts);

– investments in subsidiaries and associates (except for those accounted for at fair value under notes 1(c) and (d)); and

– positive goodwill (whether taken initially to reserves or recognised as an asset).

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

(i) Calculation of recoverable amount

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

(ii) Reversals of impairment losses

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

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Revenue recognition

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

(i) Sale of goods

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

(ii) Rental income from operating leases

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

(iii) Dividends

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

– Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(iv) Interest income

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

(n) Government grant

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Inventories

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

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

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

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

(p) Quota

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

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

(q) Deferred taxation

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

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

(r) Translation of foreign currencies

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

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Pre-operating costs

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

(t) Borrowing costs

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

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

(u) Cash equivalents

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

(v) Employee benefits

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

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Provisions and contingent liabilities

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

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

(x) Related parties

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

(y) Segment reporting

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

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

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

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

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

2 TURNOVER

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

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

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

3 OTHER REVENUE AND NET INCOME

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

4 PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

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

	2003 *$'000*	2002 *$'000*
(a) Finance costs:		
Interest on bank loans repayable within five years (including bank charges)	**15,798**	17,346
Less: Borrowing costs capitalised*	**(585)**	–
	15,213	17,346

* The borrowing costs have been capitalised at a rate of 4.788% (2002: Nil) per annum for construction in progress.

	2003 *$'000*	2002 *$'000*
(b) Staff costs:		
Salaries, wages and other benefits	**187,372**	186,322
Contributions to defined contribution retirement plans	**2,311**	3,717
Provision for long service payments	**3,210**	690
	192,893	190,729

	2003 *$'000*	2002 *$'000*
(c) Other items:		
Amortisation of positive goodwill	**2,338**	1,039
Amortisation of negative goodwill	**(494)**	–
Amortisation of negative goodwill included in share of profits less losses of associates	**(7,517)**	–
Amortisation of permanent quota	**–**	659
Auditors' remuneration	**1,536**	1,734
Cost of inventories*	**1,039,303**	984,681
Depreciation	**28,808**	22,714
Operating lease charges: minimum lease payments – property rentals	**5,746**	4,575
Rental receivable from investment properties less direct outgoings of $1,257,000 (2002: $1,114,000)	**(2,792)**	(3,004)
Impairment losses on land and buildings reversed	**–**	(2,242)

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

5 TAXATION

(a) Taxation in the consolidated income statement represents:

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

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

(b) Taxation in the balance sheets represents:

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

5 TAXATION *(Continued)*

(c) No provision for deferred taxation has been made as the net effect of all timing differences is immaterial.

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

6 DIRECTORS' REMUNERATION

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

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

The remuneration of the directors is within the following bands:

	Number of directors	
	2003	2002
$Nil – $1,000,000	**8**	8
$1,500,001 – $2,000,000	**1**	1
$2,000,001 – $2,500,000	**2**	1
$2,500,001 – $3,000,000	**–**	1
$3,000,001 – $3,500,000	**–**	–
$3,500,001 – $4,000,000	**1**	1
	12	12

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

7 INDIVIDUALS WITH HIGHEST EMOLUMENTS

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

	2003	2002
	$'000	*$'000*
Salaries and other emoluments	**956**	956
Discretionary bonuses	**415**	300
Retirement scheme contributions	**97**	97
	1,468	1,353

8 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

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

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

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

9 DIVIDENDS

(a) Dividends attributable to the year

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

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

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

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

10 EARNINGS PER SHARE

(a) Basic earnings per share

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

(b) Diluted earnings per share

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

11 CHANGES IN ACCOUNTING POLICIES

(i) Employee benefits

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

(ii) Translation of financial statements of foreign enterprises

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

12 SEGMENT REPORTING

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

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

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

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

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

12 SEGMENT REPORTING *(Continued)*

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

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

12 SEGMENT REPORTING *(Continued)*

Additional information concerning geographical segments:

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

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

13 RETIREMENT BENEFITS SCHEME

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

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

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

13 RETIREMENT BENEFITS SCHEME *(Continued)*

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

14 FIXED ASSETS

(a) The Group

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

14 FIXED ASSETS *(Continued)*

(a) The Group ***(Continued)***

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

NOTES ON THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

14 FIXED ASSETS *(Continued)*

(b) The Company

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

14 FIXED ASSETS *(Continued)*

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

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

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

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

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

14 FIXED ASSETS *(Continued)*

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

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

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

(g) Based on a review of the carrying value of land and buildings performed by the directors, impairment losses on certain land and buildings of $1,664,000 were made in order to reflect its recoverable amount as at 31st March, 2003. The impairment losses have been taken directly to the land and buildings revaluation reserve.

(h) A subsidiary in the PRC has been awarded a government grant of $22,446,000 during the year ended 31st March, 2003 (2002: Nil) for financing the acquisition of the land use right in the PRC. This government grant is deducted from the cost of land of $27,434,000 in arriving at the carrying amount of land of $4,988,000 as at 31st March, 2003. As the land is not in use during the year ended 31st March, 2003, no depreciation is charged to the income statement. Accordingly, no income in respect of the government grant is recognised during the year ended 31st March, 2003.

15 CONSTRUCTION IN PROGRESS

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

16 GOODWILL

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

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

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

NOTES ON THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

17 INTEREST IN SUBSIDIARIES

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

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

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

17 INTEREST IN SUBSIDIARIES *(Continued)*

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

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

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

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

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

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

18 INTEREST IN ASSOCIATES

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

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

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

Information on material associates

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

18 INTEREST IN ASSOCIATES *(Continued)*

Information on material associates *(Continued)*

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

NOTES ON THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

18 INTEREST IN ASSOCIATES *(Continued)*

Information on material associates *(Continued)*

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

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

19 PERMANENT QUOTA

	The Group		The Company	
	2003	2002	**2003**	2002
	$'000	*$'000*	***$'000***	*$'000*
Cost:				
At 1st April and 31st March	**13,144**	13,144	**9,002**	9,002
Accumulated amortisation:				
At 1st April	**13,144**	12,485	**9,002**	9,002
Charge for the year	**–**	659	**–**	–
At 31st March	**13,144**	13,144	**9,002**	9,002
Net book value:				
At 31st March	**–**	–	**–**	–

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

20 NON-TRADING SECURITIES

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

21 OTHER INVESTMENTS

	The Group		The Company	
	2003	2002	**2003**	2002
	$'000	*$'000*	***$'000***	*$'000*
Club debentures, at cost	**2,873**	2,873	**2,384**	2,384

22 INVENTORIES

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

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

23 TRADE AND OTHER RECEIVABLES

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

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

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

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

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

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

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 FINANCIAL STATEMENTS

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24 PLEDGED DEPOSITS

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

25 CASH AND CASH EQUIVALENTS

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

26 TRADE AND OTHER PAYABLES

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

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

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

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

26 TRADE AND OTHER PAYABLES *(Continued)*

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

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

27 BANK LOANS AND OVERDRAFTS

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

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

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

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

27 BANK LOANS AND OVERDRAFTS *(Continued)*

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

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

28 NON-CURRENT BANK LOANS

	The Group		The Company	
	2003	2002	**2003**	2002
	$'000	*$'000*	***$'000***	*$'000*
Bank loans *(note 27)*				
– secured	**–**	–	**–**	–
– unsecured	**91,733**	93,565	**27,000**	57,000
	91,733	93,565	**27,000**	57,000

29 NET CURRENT (LIABILITIES)/ASSETS

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

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

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

30 PROVISION FOR LONG SERVICE PAYMENTS

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

31 SHARE CAPITAL

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

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For the year ended 31st March, 2003

32 RESERVES

(a) The Group

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

32 RESERVES *(Continued)*

(a) The Group *(Continued)*

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

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

(b) The Company

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

32 RESERVES *(Continued)*

(b) The Company *(Continued)*

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

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

33 COMMITMENTS

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

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

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

	The Group	
	2003	2002
	$'000	*$'000*
Authorised but not contracted for	**138**	32,022
Contracted but not provided for	**864**	8,091
	1,002	40,113

33 COMMITMENTS *(Continued)*

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

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

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

	The Group	
	2003	2002
	$'000	*$'000*
Within 1 year	**1,393**	1,150
After 1 year but within 2 years	**2,331**	1,150
After 2 years but within 5 years	**–**	2,013
	3,724	4,313

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

34 CONTINGENT LIABILITIES

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

(a) Bills discounted with banks amounting to approximately $148,764,000 (2002: $128,568,000) for the Group and $77,622,000 (2002: $59,129,000) for the Company.

(b) Guarantees given to banks by the Company to the extent of $55,628,000 (2002: $123,157,000) in respect of banking facilities extended to its subsidiaries and associates.

(c) Guarantees were given by an associate in respect of bank loans to a third party shareholder of the associate to the extent of $94,030,000. The Group's share of these guarantees amounted to $33,785,000. During the year ended 31st March, 2003, bank loans of $12,224,000 were repaid by the associate on behalf of its shareholder. Share of provision by the Group due to these bank loan repayments made by the associate amounted to $4,392,000 has been included in the Group's consolidated income statement. The directors consider that it is unlikely for the associate to incur further liabilities in respect of these guarantees and no further provision in this regard is required.

35 MATERIAL RELATED PARTY TRANSACTIONS

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

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

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

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

	2003	2002
	$'000	*$'000*
Amount due from YGMT Group	**3,517**	9,159
Amount due to YGMT Group	**(275)**	(23)

35 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

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

	2003	2002
	$'000	*$'000*
Purchases of traded products	**–**	423
Sales of traded products	**5,303**	1,643

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

	2003	2002
	$'000	*$'000*
Amount due to YGM Marketing Pte Limited	**576**	788

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

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

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

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

35 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

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

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

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

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

	2003	2002
	$'000	*$'000*
Amount due from HKKL	**25,761**	4,382

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

	2003	2002
	$'000	*$'000*
Subcontracting fee expense	**2,844**	736
Commission income	**1,033**	2,752

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

	2003	2002
	$'000	*$'000*
Amount due from YISB	**256**	193

35 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

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

	2003	2002
	$'000	*$'000*
Purchases of traded products	**3,026**	–
Purchases on behalf and sales of traded products	**871**	–

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

	2003	2002
	$'000	*$'000*
Amount due to Allied Textiles	**354**	–

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

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

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

	2003	2002
	$'000	*$'000*
Amount due to YSA	**–**	(232)

35 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(g) *(continued)*

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

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

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

	2003	2002
	$'000	*$'000*
Amount due from YSA	**859**	–

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

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

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

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

35 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

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

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

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

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

36 SUBSEQUENT EVENTS

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

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

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

(2) an agreement on 10th February, 2003 and a supplemental agreement thereto on 24th March, 2003 in relation to the acquisition of 50% of the issued share capital of HKKL from Sevenoaks Associates, Inc., a person connected with the Company for the purpose of the Listing Rules, for a cash consideration of $1.

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

37 COMPARATIVE FIGURES

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

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