

MANAGEMENT DISCUSSION AND ANALYSIS**管理層討論與分析****RESULTS OF OPERATIONS**

The Group's turnover for the year ended 31st March, 2004 was HK\$1,493 million compared with HK\$1,238 million for the year ended 31st March, 2003. The Group's profit from ordinary activities after share of profits less losses of associates, taxation and minority interest was HK\$69 million compared with last year's profit of HK\$33 million

GARMENT BUSINESS

We operate our woven clothing business under the name of YangtzeKiang Garment Mfg. Co., Ltd. and knitted business under the name of Hong Kong Knitters Ltd. Our products include men's and women's shirts, trousers, shorts, polo shirts, T-shirts and fleeces. Our head office in Hong Kong is the sales and management office for the whole Group. In Hong Kong, we concentrate on the role of garment trading as well as all the sales and overall control of our production facilities in China, Macau, Malaysia, Myanmar, Bangladesh, Sri Lanka, Cambodia and Lesotho in Africa.

Exquisite Knitters (Guangzhou) Ltd. in Panyu, China operates a vertical setup factory from knitting, dyeing and finishing of fabrics to the manufacturing of garments – mainly high quality mercerized knitted polo shirts.

Whampo Garment Mfg. (Guangzhou) Co., Ltd. also in Panyu China was set up in November 2002 mainly for the manufacture of high quality men's and ladies woven shirts to non-quota markets. After 2005 when there will be no quota required to export to the U.S. and E.U., we can use the facilities of this factory to export to these places.

經營業績

本集團截至二零零四年三月三十一日止年度之營業額為十四億九千三百萬港元，比對截至二零零三年三月三十一日止年度之營業額則為十二億三千八百萬港元。本集團在計入應佔聯營公司溢利減虧損及扣除稅項與少數股東權益後之日常業務溢利為六千九百萬港元，比對上年度之有關溢利則為三千三百萬港元。

成衣業務

本集團以長江製衣廠有限公司之名義經營梭織成衣業務，並以香港織造有限公司之名義經營針織業務。本集團產品包括男仕及女仕恤衫、褲、短褲、馬球襯衫、T恤及毛衣。本集團之香港總部負責本集團整體之銷售及管理。本集團在香港專責成衣貿易業務，並全面控制設於中國、澳門、馬來西亞、緬甸、孟加拉、斯里蘭卡、柬埔寨及非洲萊索托之生產廠房。

位於中國番禺之卓越織造(廣州)有限公司，其經營之廠房負責全套縱向製衣工序，包括針織、漂染及棉布處理以至成衣製造等工序，主要生產優質絲光棉針織馬球襯衫。

位於中國番禺之黃浦江製衣(廣州)有限公司於二零零二年十一月成立，以生產優質男仕及女仕梭織恤衫並出口至無配額限制市場為主。二零零五年後，出口至美國及歐洲不再受配額限制，本集團可利用此廠房之生產設施並出口至該等地區。

MANAGEMENT DISCUSSION AND ANALYSIS**管理層討論與分析****GARMENT BUSINESS (continued)****成衣業務 (續)**

We have two factories in high manufacturing cost locations. One is in Macau – Tac Cheong Lda and the other one is in Malaysia – YangtzeKiang Industries Sdn. Bhd. These two factories have been drastically trimmed down and as a result we have reduced the losses incurred by these factories over the last few years.

本集團兩間廠房現位於生產成本較高之地區。其中一間為澳門之德祥製衣廠，另一間為馬來西亞之YangtzeKiang Industries Sdn. Bhd.。本集團已大幅削減此兩間廠房之規模，過往年度該等廠房所產生之虧損已經減少。

During the current year of 2003/04, we have sold our factory in Myanmar – YangtzeKiang Industries (Myanmar) Ltd. to the local management. However we have entered into an agreement with the local management to continue manufacturing garments for us to sell to our existing customers, thus expanding our garment trading business.

於本年度，我們已將緬甸之廠房YangtzeKiang Industries (Myanmar) Ltd.出售予當地管理層。然而，我們仍保留與管理層達成之協議，藉以讓該廠房繼續為本集團生產成衣並出售予現有客戶，擴展本集團之成衣貿易業務。

Bangladesh remains an important area for us in woven shirts production. We have over a dozen factories that we have production agreements with. We have over 30 staff in our Bangladesh office overseeing all this production and our products are mainly for the European market. However after 2005 when there will be no more quota, we may see a shift of business to China.

孟加拉仍為本集團在梭織恤衫生產方面的一個重要地區，我們在當地設有逾十二間已訂立生產協議之廠房。本集團在孟加拉之辦事處聘用逾30名員工，負責監察該等廠房之運作，而產品主要外銷至歐洲市場。然而，於二零零五年後，由於取消配額限制，預期業務將轉向中國。

Hongkong Knitters Lanka (PVT) Ltd. in Sri Lanka recorded another year of losses. We shall review whether this factory will have the potential to be profitable after 2005 when we will no longer need to pay for quota in the open market.

位於斯里蘭卡之Hongkong Knitters Lanka (PVT) Ltd.繼續錄得虧損。由於二零零五年後在公開市場毋須購買配額，我們將檢討此廠房此後是否具備溢利潛力。

Our factory in Cambodia – YGM (Cambodia) Ltd. started production in the year 2000 manufacturing woven bottoms as well as some polo shirts. We had not been profitable in Cambodia since the beginning. However this year there was a big turn around as all our production lines were fully booked and our productivity has increased significantly due to good management and lack of labour disputes which often happened in the past. The Cambodian Government is working to obtain duty free access into the U.S. and E.U. If this is successful, we may expect more opportunities for growth in Cambodia.

我們之柬埔寨廠房YGM (Cambodia) Ltd.於二零零零年開始投產，製造褲類梭織品及若干馬球襯衫，惟自開業以來，我們在柬埔寨之廠房未曾錄得溢利。然而，本年度形勢扭轉，該公司之生產線獲全部訂滿，同時由於管理妥善，加上沒有發生過往經常出現之勞資糾紛，故該公司之生產力大增。柬埔寨政府現正申請出口至美國及歐洲之免稅待遇。如此舉成功，預期在柬埔寨業務增長之可能性會大大提高。

MANAGEMENT DISCUSSION AND ANALYSIS**管理層討論與分析****GARMENT BUSINESS (continued)**

H.K. International Knitters (Proprietary) Ltd. in Lesotho Africa was set up in September 2002 to take advantage of its quota free status for garment export to the U.S.A. and import duty concessions granted by the U.S. Government to Lesotho. This preferential treatment, which was due to expire this year, was further extended by the U.S. Government till 2007. However as the productivity there was relatively lower and due to the appreciation of South African currency (Rand) which is basically pegged to Gold prices, we have suffered losses in this operation in the current year.

OTHER BUSINESS

In Wuxi China we have two spinning and weaving mills. Wuxi Changxin Textile Co., Ltd. had recorded another year of good results, while Wuxi YGM Textiles Co., Ltd. of which we own 70% has produced good profit for the first year of operation. Wuxi is the place where we anticipate further expansion in textiles as we believe there will be many factories setting up to take advantage of the quota free access to the U.S. and E.U. and hence great demand for textile products will be inevitable. However we expect that profits for the forthcoming year will be reduced because we have in our inventory at 31st March, 2004 some high priced cotton that was purchased when cotton prices were at the high end.

Qinghai Changqing Aluminium Corporation in Qinghai, China – an aluminium smelter has seen another profitable year despite our earlier concern about the power shortage and high raw material costs. However we do expect that this concern may negatively impact its result next year.

成衣業務 (續)

位於非洲萊索托之H.K. International Knitters (Proprietary) Ltd.於二零零二年九月成立，以發揮其成衣出口至美國無需配額之優勢，並利用美國政府給予萊索托之進口關稅優惠。此項優惠待遇雖然將於本年度屆滿，但已獲美國政府延長至二零零七年。然而，由於生產力相對疲弱，加上基本上與黃金價格掛鈎之南非貨幣蘭德升值，因此本年度該廠房之業務錄得虧損。

其他業務

本集團在中國無錫設有兩間紡紗及紡織廠。無錫長新紡織有限公司再度獲得不俗之業績，而本集團擁有70%權益之無錫長江精密紡織有限公司更於投產首年錄得良好溢利。我們相信不少廠房將會在內地開設，以抓緊取消出口至美國及歐洲配額限制之機遇，故預期無錫之製衣業將會進一步擴展，而市場對紡織品之需求亦會非常殷切。然而，我們預期來年之溢利將會減少，蓋因於二零零四年三月三十一日，存貨中部份貴價棉紗是在棉紗價格高峰時期購入。

位於中國青海之青海長青鋁業有限公司乃一間熔鋁廠，縱使較早前擔憂受電力供應短缺及高昂原材料成本之影響，但我們還是再次獲得盈利。然而，我們亦預期此問題將對來年之業務造成負面影響。

MANAGEMENT DISCUSSION AND ANALYSIS**管理層討論與分析****OTHER BUSINESS (continued)****其他業務(續)**

YangtzeKiang S.A. recorded another year of profits while the general market in France was not buoyant. We were helped by the continual strength of the Euro exchange rate. However our newly acquired men's underwear brand JIL has suffered losses due to lower than expected sales and very heavy overhead expenses. We plan to drastically cut down the expenses for the coming year and the losses of JIL should be somewhat contained. Our main customers for YangtzeKiang S.A. are hyper markets in France. In these past two years, we have signed many well known brands as licensees such as NAFNAF and Daniel Hechter etc, for such customers. We hope this will increase sales and profits in the future.

YangtzeKiang S.A. 在法國市場普遍淡靜之情況下再次錄得利潤，原因之一為歐元匯率持續強勁。然而，我們新收購之法國男士內衣品牌「JIL」由於銷售額較預期差，加上營運費用龐大，因而錄得虧損。我們大幅削減來年之開支，希望有助緩和JIL之虧損情況。YangtzeKiang S.A.之主要客戶為大型自助市場。過去兩年來，我們為該等客戶簽約獲准特許使用權如NAFNAF及Daniel Hechter等多個名牌。希望此舉可增加未來之銷售額及溢利。

W. Haking Enterprises Ltd. had added a new electrical razor product to its production. With the increase in production, we expect satisfactory results in this coming year.

寶源基業有限公司增加了一項新電鬚刨產品。由於生產量增加，我們預期來年可錄得理想之業績。

LIQUIDITY AND FINANCIAL RESOURCES**流動資金及資本來源**

As at 31st March, 2004, the Group has cash and bank balances and total bank borrowings of HK\$63 million (as at 31st March, 2003: HK\$45 million) and HK\$588 million (as at 31st March, 2003: HK\$419 million) respectively. The Group's gearing ratio, calculated on the basis of net bank borrowings (i.e. total bank borrowings less cash and bank balances) over shareholders' equity, was 127% (as at 31st March, 2003: 106%).

於二零零四年三月三十一日，本集團之現金及銀行結餘及總銀行貸款分別為63,000,000港元(二零零三年三月三十一日：45,000,000港元)及588,000,000港元(二零零三年三月三十一日：419,000,000港元)。本集團根據銀行貸款淨額(即總銀行貸款減現金及銀行結餘)相對股東資金之百分比計算所得之資本負債比率為127%(二零零三年三月三十一日：106%)。

MANAGEMENT DISCUSSION AND ANALYSIS**管理層討論與分析****LIQUIDITY AND FINANCIAL RESOURCES
(continued)****流動資金及資本來源 (續)**

The increase in bank borrowings was mainly due to the funding requirement of a joint venture, Wuxi YGM Textile, for its business development and construction of plant and machinery. During the year under review, two medium term loans amounting to US\$18 million and RMB58 million have been drawn down by Wuxi YGM Textile, which are secured by its machinery and certain land and buildings. As at 31st March, 2004, Wuxi YGM Textile has unsecured revolving bank loans amounting to RMB191 million, which are repayable within one year and are guaranteed by Wuxi Changxin Textile Co., Ltd. The Group is confident that Wuxi YGM Textile has sufficient liquidity and financial resources to meet its commitment and working capital requirements.

銀行貸款增加主要由於合營公司無錫長江精密紡織資金需求，以撥付其業務發展及興建廠房及機器之需要。於回顧年度內，無錫長江精密紡織取得兩筆為數18,000,000美元及人民幣58,000,000元之中期貸款，有關貸款乃以其機器及若干土地及樓宇抵押。於二零零四年三月三十一日，無錫長江精密紡織之未抵押循環銀行貸款為人民幣191,000,000元，須於一年內償還，並由無錫長新紡織有限公司擔保。本集團有信心無錫長江精密紡織具備足夠之流動資金及財務資源，以應付其承擔項目及營運資金之需求。

Except for the guarantee provided by Wuxi Changxin Textile Co., Ltd disclosed above, the Group does not provide any further guarantees for loans borrowed by Wuxi YGM Textile. The maximum potential liability to the Group is the net assets of this associate attributable to the Group.

除上文披露無錫長新紡織有限公司所提供之擔保外，本集團就無錫長江精密紡織之借貸並無進一步提供任何擔保。本集團之最高潛在負債為本集團應佔此聯營公司之淨資產。

The Group adopts a prudent policy to hedge the fluctuation of exchange rates. Most of the operating activities are denominated in Hong Kong dollars or United States dollars. For those denominated in other currencies, the Group may enter into forward contracts to hedge its receivable and payable denominated in foreign currencies against the exchange rate fluctuations.

本集團採用審慎政策以對沖匯率波動。本集團大部份業務均主要以港元及美元結算。至於以其他貨幣結算之業務，本集團已就其以外幣結算之應收及應付款訂立若干遠期合約，以對沖外匯波動。

**EMPLOYMENT AND REMUNERATION
POLICIES****僱員及薪酬政策**

As at 31st March, 2004, the Group, including its subsidiaries but excluding associates, employed approximately of 6,400 employees. Remuneration package are determined by reference to employees' performance and the prevailing salary levels in the market. In addition, the Group provides year end double pay, provident fund scheme, medical insurance and training to staff.

於二零零四年三月三十一日，除聯營公司外，本集團(包括其附屬公司)聘用約6,400名僱員。薪酬組合乃參照員工之表現及市場當時之薪金水平而釐定。此外。本集團為僱員提供年終雙薪、公積金計劃、醫療保險及培訓。