

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

*For the six months ended 30th September, 2001
(Expressed in Hong Kong dollars)*

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties and land and buildings, and the marking to market of certain investments in securities.

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st March, 2001, except that the Group has changed certain of its accounting policies as described below.

In the current period, the Group has adopted, for the first time, the following new and revised SSAPs, which are effective for accounting periods commencing on or after 1st January, 2001, issued by the Hong Kong Society of Accountants (“HKSA”).

SSAP 9 (revised): Events after the balance sheet date
SSAP 30: Business Combinations

The changes to the Group’s accounting policies and the effect of adopting these new policies are set out below:

- (a) In accordance with the SSAP 9 (revised), the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in Note 11, opening retained profit at 1st April, 2000 has increased by \$14,112,000 which is the reversal of the provision for the 2000 proposed final dividend previously recorded as a liability as at 31st March, 2000 although not declared until after balance sheet date. Opening retained profit at 1st April, 2001 has increased by \$14,025,000 which is the reversal of the provision for 2001 proposed final dividend previously recorded as a liability as at 31st March, 2001 although not declared until after the balance sheet date.

This adjustment has resulted in a decrease in current liabilities at 31st March, 2001 by \$14,025,000 for provision for proposed dividends that is no longer required.

- (b) In the current period, the Group has adopted SSAP 30 “Business Combinations” and has elected not to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, goodwill (negative goodwill) arising on acquisitions of subsidiaries prior to 1st January, 2001 is held in reserves and will be charged (credited) to the income statement at the time of disposal of the relevant subsidiary, or at such time as the goodwill is determined to be impaired. Goodwill arising on acquisitions after 1st January, 2001 is capitalised and amortised over its estimated useful life.

3. SEGMENTAL INFORMATION

The Group's turnover and contribution to profit from operations, analysed by principal activities are as follows:

	Group turnover		Contribution to	
	Six months ended		profit from operations	
	30th September,		Six months ended	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000
(a) Business segments				
Manufacture and sale of garments	575,376	529,081	18,854	26,345
Property rental	2,064	2,725	1,504	2,286
	<u>577,440</u>	<u>531,806</u>	<u>20,358</u>	<u>28,631</u>
	Group turnover		Contribution to	
	Six months ended		profit from operations	
	30th September,		Six months ended	
	2001	2000	2001	2000
	'000	'000	'000	'000
(b) Geographical segments				
Europe				
– United Kingdom	117,653	102,885	4,760	6,494
– Other European countries	260,955	241,640	38,432	33,609
	<u>378,608</u>	<u>344,525</u>	<u>43,192</u>	<u>40,103</u>
North America	97,737	90,208	19,085	15,945
Asia Pacific	89,966	91,348	22,146	19,992
Others	11,129	5,725	1,868	1,506
	<u>577,440</u>	<u>531,806</u>	<u>86,291</u>	<u>77,546</u>
Less: Group expenses net of other income			<u>(65,933)</u>	<u>(48,915)</u>
			<u>20,358</u>	<u>28,631</u>

4. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

Profit from ordinary activities before taxation is arrived at after charging:

	Six months ended 30th September,	
	2001	2000
	\$'000	\$'000
Interest expenses	9,037	10,508
Depreciation	11,833	13,152
	<u>20,870</u>	<u>23,660</u>

5. TAXATION

	Six months ended 30th September,	
	2001	2000
	\$'000	\$'000
Hong Kong taxation	2,034	2,000
Overseas taxation	1,349	350
	<u>3,383</u>	<u>2,350</u>
Share of associates' taxation	2,767	4,872
	<u>6,150</u>	<u>7,222</u>

The provision for Hong Kong Profits Tax is calculated at 16% (2000: 16%) of the estimated assessable profits for the six months ended 30th September, 2001. Taxations for overseas subsidiaries and branch are similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

6. INTERIM DIVIDEND

At a meeting of the board of directors held on 17th December, 2001, the directors resolved to pay an interim dividend of 2 cents per share for the six months ended 30th September, 2001 (2000: 3 cents).

7. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to the shareholders of \$14,471,000 (2000: \$17,143,000) and on the weighted average number of 140,375,940 shares (2000: 141,019,638 shares) in issue during the period.

Full exercise of the subscription rights of share options granted would not result in a dilution of the earnings per share.

8. TRADE AND OTHER RECEIVABLES

The following is an aging analysis and components of trade and other receivables at the reporting date:

	30th September,	31st March,
	2001	2001
	\$'000	\$'000
0 – 60 days	79,745	92,580
61 – 90 days	16,116	7,072
>90 days	20,759	28,205
	<u>116,620</u>	<u>127,857</u>
Trade debtors and bills receivable	51,782	33,816
Deposits and prepayments	9,952	7,228
Amounts due from associates and related companies	28,106	33,929
Dividend receivable from an associate	<u>206,460</u>	<u>202,830</u>

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.

9. TRADE AND OTHER PAYABLES

The following is an aging analysis and components of trade and other payables at the reporting date:

	30th September, 2001	31st March, 2001
	\$'000	\$'000
0 – 60 days	81,486	75,829
61 – 90 days	2,165	5,580
>90 days	23,278	31,526
	<hr/>	<hr/>
Trade creditors	106,929	112,935
Bills payable and trust receipt loans	59,014	85,809
Other payables	72,538	63,082
Amounts due to associates and related companies	9,965	7,220
	<hr/>	<hr/>
	248,446	269,046
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10. SHARE CAPITAL

	30th September, 2001		31st March, 2001	
	No. of Shares '000	Amount \$'000	No. of Shares '000	Amount \$'000
Authorised:				
Ordinary shares of \$0.50 each	200,000	100,000	200,000	100,000
	<hr/>	<hr/>	<hr/>	<hr/>
Issued and fully paid:				
At beginning of the period/year	140,652	70,326	141,123	70,561
Shares repurchased during the period/year	(406)	(203)	(471)	(235)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of the period/year	140,246	70,123	140,652	70,326
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11. RESERVES

	Share premium \$'000	Capital redemption reserve \$'000	Exchange fluctuation 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
At 31st March, 2000										
- As report	13,684	-	(11,228)	(45,987)	276	52,921	29,781	-	188,500	227,947
- Effect of adopting SSAP 9 (revised)	-	-	-	-	-	-	-	-	14,112	14,112
- As restated	13,684	-	(11,228)	(45,987)	276	52,921	29,781	-	202,612	242,059
2000 final dividend paid	-	-	-	-	-	-	-	-	(14,112)	(14,112)
Reversal of share premium on repurchase of the Company's shares in 2000 charged to share premium account	47	-	-	-	-	-	-	-	(47)	-
Capital reduction on repurchase of the Company's shares in 2000	-	43	-	-	-	-	-	-	(43)	-
Capital reduction on repurchase of the Company's shares in 2001	-	235	-	-	-	-	-	-	(235)	-
Share premium on repurchase of the Company's shares in 2001	-	-	-	-	-	-	-	-	(354)	(354)
Exchange differences on translation of accounts of overseas subsidiaries	-	-	(1,232)	-	-	-	-	-	-	(1,232)
Revaluation deficit	-	-	-	-	(184)	-	-	-	-	(184)
Share of associate's revaluation surplus	-	-	-	-	-	-	1,892	-	-	1,892
Profit for the year	-	-	-	-	-	-	-	-	47,968	47,968
2001 interim dividend paid	-	-	-	-	-	-	-	-	(4,230)	(4,230)
Appropriation to general reserve	-	-	-	-	-	-	-	1,562	(1,562)	-
At 31st March, 2001 as restated	<u>13,731</u>	<u>278</u>	<u>(12,460)</u>	<u>(45,987)</u>	<u>92</u>	<u>52,921</u>	<u>31,673</u>	<u>1,562</u>	<u>229,997</u>	<u>271,807</u>
At 31st March, 2001										
- As report	13,731	278	(12,460)	(45,987)	92	52,921	31,673	1,562	215,972	257,782
- Effect of adopting SSAP 9 (revised)	-	-	-	-	-	-	-	-	14,025	14,025
- As restated	13,731	278	(12,460)	(45,987)	92	52,921	31,673	1,562	229,997	271,807
2001 final dividend paid	-	-	-	-	-	-	-	-	(14,025)	(14,025)
Capital reduction on repurchase of the Company's shares	-	203	-	-	-	-	-	-	(203)	-
Share premium on repurchase of the Company's shares	-	-	-	-	-	-	-	-	(360)	(360)
Exchange differences on translation of accounts of overseas subsidiaries	-	-	1,822	-	-	-	-	-	-	1,822
Profit for the period	-	-	-	-	-	-	-	-	14,471	14,471
At 30th September, 2001	<u>13,731</u>	<u>481</u>	<u>(10,638)</u>	<u>(45,987)</u>	<u>92</u>	<u>52,921</u>	<u>31,673</u>	<u>1,562</u>	<u>229,880</u>	<u>273,715</u>

12. CAPITAL COMMITMENT

Capital commitments outstanding at 30th September, 2001 not provided for in the accounts were as follows:

	30th September, 2001 \$'000	31st March, 2001 \$'000
Contracted for	<u>10,337</u>	<u>10,124</u>

13. CONTINGENT LIABILITIES

- (a) At 30th September, 2001, there were bills discounted with banks amounting approximately to \$134,793,000 (at 31st March, 2001: \$125,482,000) for the Group.
- (b) Counter indemnity given to a bank by a subsidiary to the extent of \$2,212,000 (at 31st March, 2001: \$2,212,000) in respect of a duty deferment guarantee issued by the bank in favour of the customs office in the United Kingdom.
- (c) At 30th September, 2001, guarantees given to bankers by the Company to the extent of \$122,341,000 (at 31st March, 2001: \$98,941,000) in respect of banking facilities extended to its subsidiaries and associates.

14. 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, on normal commercial terms:

- (a) Transactions with and income from YGM Trading Limited and its subsidiaries ("YGMT Group"). (The Chan family is the controlling shareholder of both the YGMT Group and the Group):

	Six months ended 30th September,	
	2001 \$'000	2000 \$'000
Purchases of traded products	-	1,668
Sales of traded products	4,471	4,500
Rental income from properties	2,010	2,934
Management fees received	<u>372</u>	<u>372</u>

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.

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

	Six months ended 30th September,	
	2001 \$'000	2000 \$'000
Sales of traded products	<u>729</u>	<u>2,822</u>

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

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

	Six months ended 30th September,	
	2001	2000
	\$'000	\$'000
Purchases of traded products	<u>13,961</u>	<u>18,850</u>

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

- (d) Transactions with Yangtzekiang – Tomen S.A., an associate:

	Six months ended 30th September,	
	2001	2000
	\$'000	\$'000
Sales of traded products	<u>38,296</u>	<u>31,111</u>

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

- (e) Transactions with Hongkong Knitters Lanka (PVT) Limited (“HKKL”), an associate:

	Six months ended 30th September,	
	2001	2000
	\$'000	\$'000
Purchases on behalf and sales of traded products	<u>19,581</u>	15,884
Commission income	<u>1,734</u>	<u>1,747</u>

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

The Company also issued a corporate guarantee of \$1,365,000 (at 31st March, 2001: \$1,365,000) to a bank representing 50% of the 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 requirement.

- (f) Transactions with Yangtzekiang Industries Sdn. Bhd. (“YISB”), an associate:

	Six months ended 30th September,	
	2001	2000
	\$'000	\$'000
Commission income	<u>1,931</u>	<u>1,968</u>

Commission income relates to sourcing services provided by the Group to YISB and is charged at an agreed percentage based on the YISB's turnover.

- (g) Outstanding balances due from/(to) related companies and associates as at:

	30th September,	31st March,
	2001	2001
	\$'000	\$'000
Amount due from YGMT Group	7,439	5,394
Amount due to YGM Marketing Pte. Limited	(133)	(709)
Amount due to Wuxi Changxin Textile Co., Ltd.	(4,346)	(664)
Dividend receivable from Wuxi Changxin Textile Co., Ltd.	28,106	28,106
Amount due from Yangtzekiang – Tomen S.A.	393	432
Amount due to Hongkong Knitters Lanka (PVT) Limited	(5,367)	(4,954)
Amount due from Yangtzekiang Industries Sdn. Bhd.	<u>2,021</u>	<u>1,272</u>

Balances with related companies are unsecured, interest-free and repayable on demand.

(h) Transactions with non-wholly owned subsidiaries:

	30th September, 2001 \$'000	31st March, 2001 \$'000
(1) Guarantees given to a bank in respect of credit facilities granted to the extent of the Company's proportional equity interest held	<u>49,148</u>	<u>49,148</u>

The Company issued a corporate guarantee for an amount equivalent to \$49,148,000 (at 31st March, 2001: \$49,148,000) to a bank, representing 75% of the general banking facilities granted by such bank to Hong Kong Knitters Limited ("HKK"). The general banking facilities were used for funding HKK's daily working capital requirement.

HKK is 75% indirectly owned by the Company and 25% owned by a company controlled by certain directors of the Company.

- (2) Sales of traded products by the Group's wholly-owned subsidiaries to certain non-wholly owned subsidiaries and their year end trade balances thereof have been eliminated on consolidation.

(i) Outstanding loans from a related company controlled by certain directors of the Company at:

	30th September, 2001 \$'000	31st March, 2001 \$'000
Loans from a company controlled by certain directors	<u>17,819</u>	<u>17,639</u>

The amount is unsecured, interest-free and not repayable within one year.

15. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period's presentation.