

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2002

(Expressed in Hong Kong dollars)

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements of the Group are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 25 (Revised) “Interim financial reporting” and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The accounting policies adopted are consistent with those followed in the preparation of the Group’s consolidated financial statements for the year ended 31st March, 2002, except for the adoption of the following revised and new SSAPs which are effective for the first time for the period:

SSAP 1 (Revised)	:	Presentation of financial statements
SSAP 11 (Revised)	:	Foreign currency translation
SSAP 15 (Revised)	:	Cash flow statements
SSAP 25 (Revised)	:	Interim financial reporting
SSAP 34	:	Employees benefits

The adoption of the new and revised SSAPs does not have any material impact to the financial results of the Group for the current or prior accounting periods.

2. SEGMENT REPORTING

An analysis of the Group's turnover and profit from operations by the location of assets and by the location of customers for the six months ended 30th September, 2002 are as follows:

	Hong Kong \$'000	The PRC \$'000	Asia Pacific \$'000	Europe \$'000	Other \$'000	Inter-segment elimination \$'000	Unallocated \$'000	Consolidated \$'000
Six months ended								
30th September, 2002								
Location of assets								
Revenue from external customers	291,039	87,709	89,726	68,825	637	-	-	537,936
Inter-segment revenue	23,095	38,760	-	-	1,751	(63,606)	-	-
Other revenue	7,705	7	353	150	-	(3,807)	-	4,408
Total revenue	321,839	126,476	90,079	68,975	2,388	(67,413)	-	542,344
Segment result	26,483	(9,105)	(9,614)	12,149	(2,249)	-	223	17,887
Finance costs								(6,622)
Share of profits less losses of associates	3,440	14,198	(3,941)	948	-	-	-	14,645
Taxation								(5,773)
Minority interests								(2,562)
Profit attributable to shareholders								17,575
Depreciation and amortisation								
for the period	2,949	6,278	2,584	235	271	-	-	12,317
Six months ended								
30th September, 2001								
Location of assets								
Revenue from external customers	342,341	139,663	84,878	10,558	-	-	-	577,440
Inter-segment revenue	-	35,680	-	-	-	(35,680)	-	-
Other revenue	7,692	223	3	40	-	(3,385)	-	4,573
Total revenue	350,033	175,566	84,881	10,598	-	(39,065)	-	582,013
Segment result	29,483	(3,380)	(3,887)	(2,379)	-	-	521	20,358
Finance costs								(9,037)
Share of profits less losses of associates	(2)	15,686	(1,664)	(3,612)	-	-	-	10,408
Taxation								(6,150)
Minority interests								(1,108)
Profit attributable to shareholders								14,471
Depreciation for the period	1,766	7,449	2,159	459	-	-	-	11,833

2. SEGMENT REPORTING (Continued)

Additional information concerning geographical segments:

	Six months ended 30th September,	
	2002	2001
	\$'000	\$'000
Revenue from external customers by the location of customers		
– Europe		
United Kingdom	107,627	117,653
Germany	44,294	58,421
Other European countries	178,647	202,534
– North America	105,748	97,737
– Asia Pacific	86,487	89,966
– Others	15,133	11,129
	<u>537,936</u>	<u>577,440</u>

3. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

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

	Six months ended 30th September,	
	2002	2001
	\$'000	\$'000
Finance costs (including bank charges)	6,622	9,037
Amortisation of positive goodwill	520	–
Depreciation	<u>11,797</u>	<u>11,833</u>

4. TAXATION

	Six months ended 30th September,	
	2002	2001
	\$'000	\$'000
Hong Kong taxation	2,408	2,034
Overseas taxation	<u>343</u>	<u>1,349</u>
	2,751	3,383
Share of associates' taxation	<u>3,022</u>	<u>2,767</u>
	<u><u>5,773</u></u>	<u><u>6,150</u></u>

The provision for Hong Kong Profits Tax is calculated at 16% (2001: 16%) of the estimated assessable profits for the six months ended 30th September, 2002. Taxation for overseas subsidiaries and branch are similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

5. DIVIDENDS

- (a) Dividend attributable to the interim period

	Six months ended 30th September,	
	2002	2001
	\$'000	\$'000
Interim dividend declared after the interim period end of 2 cents per share (2001: 2 cents per share)	<u>2,805</u>	<u>2,805</u>

The interim dividend declared after the interim period end has not been recognised as a liability at the interim period end date.

5. DIVIDENDS (Continued)

- (b) Dividend attributable to the previous financial year, approved and paid during the interim period

	Six months ended 30th September,	
	2002	2001
	\$'000	\$'000
Final dividend in respect of the previous financial year, approved and paid during the interim period, of 8 cents per share (2001: 10 cents per share)	<u>11,220</u>	<u>14,025</u>

6. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to the shareholders of \$17,575,000 (2001: \$14,471,000) and on the weighted average number of 140,245,792 shares (2001: 140,375,940 shares) in issue during the period.

Diluted earnings per share for the periods ended 30th September, 2002 and 30th September, 2001 have not been presented as no dilutive potential ordinary shares were outstanding during the period.

7. TRADE AND OTHER RECEIVABLES

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

	30th September, 2002 \$'000	31st March, 2002 \$'000
0 – 60 days	150,795	59,297
61 – 90 days	6,934	2,075
> 90 days	<u>15,120</u>	<u>11,478</u>
Trade debtors and bills receivable	172,849	72,850
Deposits, prepayment and other debtors	66,209	36,135
Amounts due from associates and related companies	43,695	32,649
Dividend receivable from associates	<u>16,071</u>	<u>30,948</u>
	<u>298,824</u>	<u>172,582</u>

7. TRADE AND OTHER RECEIVABLES (Continued)

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.

8. TRADE AND OTHER PAYABLES

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

	30th September, 2002 \$'000	31st March, 2002 \$'000
0 – 60 days	59,800	45,747
61 – 90 days	5,996	16,375
> 90 days	<u>10,893</u>	<u>9,088</u>
Trade creditors	76,689	71,210
Bills payable and trust receipt loans	158,596	41,995
Accrued charges and other creditors	113,753	88,924
Amounts due to associates and related companies	<u>705</u>	<u>1,213</u>
	<u><u>349,743</u></u>	<u><u>203,342</u></u>

9. SHARE CAPITAL

	30th September, 2002		31st March, 2002	
	No. of Shares '000	Amount \$'000	No. of Shares '000	Amount \$'000
Authorised:				
Ordinary shares of \$0.50 each	<u>200,000</u>	<u>100,000</u>	<u>200,000</u>	<u>100,000</u>
Issued and fully paid:				
At beginning of the period/year	140,246	70,123	140,652	70,326
Shares repurchased during the period/year	<u>–</u>	<u>–</u>	<u>(406)</u>	<u>(203)</u>
At end of the period/year	<u><u>140,246</u></u>	<u><u>70,123</u></u>	<u><u>140,246</u></u>	<u><u>70,123</u></u>

10. RESERVES

The detailed movements in reserves during the period were disclosed in the Condensed Statement of Changes in Equity.

11. CAPITAL COMMITMENTS

Capital commitments outstanding at 30th September, 2002 not provided for in the financial statements were as follows:

	30th September, 2002 \$'000	31st March, 2002 \$'000
Contracted but not provided for		
– fixed assets	76,992	5,645
– capital contribution to subsidiary	45,864	55,692
Authorised but not contracted for	38,182	–
	<u>161,038</u>	<u>61,337</u>

The Group's share of the capital commitments of associates outstanding at 30th September, 2002 were as follows:

	30th September, 2002 \$'000	31st March, 2002 \$'000
Contracted but not provided for	31,665	8,091
Authorised but not contracted for	498	32,022
	<u>32,163</u>	<u>40,113</u>

12. CONTINGENT LIABILITIES

- (a) At 30th September, 2002, there were bills discounted with banks amounting to approximately \$125,828,000 (at 31st March, 2002: \$128,568,000) for the Group.
- (b) At 30th September, 2002, guarantees given to bankers by the Company to the extent of \$61,878,000 (at 31st March, 2002: \$123,157,000) in respect of banking facilities extended to its subsidiaries and associates.

13. 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 YGM Trading Limited and its subsidiaries ("YGMT Group"). (Certain Directors of the Company are collectively the controlling shareholder of both the YGMT Group and the Group):

	Six months ended 30th September,	
	2002 \$'000	2001 \$'000
Purchases of traded products	21	–
Sales of traded products	4,289	4,471
Rental income from properties	1,946	2,010
Management fee income	372	372
Building management fee income	162	167
Commission expenses	–	46
	<u> </u>	<u> </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) Transactions with YGM Marketing Pte. Limited, which is beneficially owned by certain Directors of the Company:

	Six months ended 30th September,	
	2002 \$'000	2001 \$'000
Sales of traded products	2,126	729
Purchase of traded products	–	423
	<u> </u>	<u> </u>

13. RELATED PARTY TRANSACTIONS (Continued)

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 associates

(1) Transactions with Wuxi Changxin Textile Co., Ltd.:

	Six months ended 30th September,	
	2002 \$'000	2001 \$'000
Purchases of traded products	–	13,961
Subcontracting fee expenses	<u>6,301</u>	<u>–</u>

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

(2) Transactions with YangtzeKiang S.A., during the period from April, 2002 to June, 2002:

	Six months ended 30th September,	
	2002 \$'000	2001 \$'000
Sales of traded products	10,659	38,296
Commission expenses	<u>34</u>	<u>85</u>

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

13. RELATED PARTY TRANSACTIONS (Continued)

- (3) Transactions with YangtzeKiang Industries Sdn. Bhd. ("YISB"):

	Six months ended 30th September,	
	2002 \$'000	2001 \$'000
Commission income	1,033	1,931
Subcontracting fee expenses	<u>416</u>	<u>661</u>

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

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

	Six months ended 30th September,	
	2002 \$'000	2001 \$'000
Purchases on behalf and sales of traded products	23,935	19,581
Commission income	<u>2,091</u>	<u>1,734</u>

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 (at 31st March, 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.

13. RELATED PARTY TRANSACTIONS (Continued)

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

	30th September, 2002 \$'000	31st March, 2002 \$'000
Amount due from YGMT Group	8,567	9,159
Amount due to YGMT Group	(23)	(23)
Amount due to YGM Marketing Pte. Limited	(485)	(788)
Amount due from Wuxi Changxin Textile Co., Ltd.	16,253	18,812
Dividend receivable from Wuxi Changxin Textile Co., Ltd.	8,615	18,360
Amount due from Hongkong Knitters Lanka (PVT) Limited	18,458	4,382
Amount due from YangtzeKiang Industries Sdn. Bhd.	<u>309</u>	<u>193</u>

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

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

	30th September, 2002 \$'000	31st March, 2002 \$'000
(1) Guarantees given to bank 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)")	<u>—</u>	<u>23,400</u>

13. RELATED PARTY TRANSACTIONS *(Continued)*

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.

	Six months ended 30th September,	
	2002	2001
	\$'000	\$'000
(2) Transactions with Whampoa Group		
Sales of traded products	10,027	–
Purchase on behalf by		
Whampoa Group	32,432	6,066
Commission expenses	832	799
Subcontracting fee income	3,029	2,736
Rental income	870	920
Building management fee income	53	55
Management fee income	1,980	900
Interest income	<u>1,639</u>	<u>1,744</u>

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

The above transactions were in the opinion of the Directors, carried out on the terms comparable to those offered to or by independent third parties, and the period end inter-company balances thereof have been eliminated on consolidation.