

NOTES TO THE CONDENSED FINANCIAL STATEMENTS**For the six months ended 30th September, 2003***(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 “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, 2003, except for the adoption of the SSAP 12 (Revised) “Income Tax”.

SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognized in respect of all temporary differences between the carrying amounts of assets and liabilities in the interim financial report and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the accounting policy has been adopted retrospectively. Comparative amounts for 2002 have been restated accordingly.

As a result of the adoption of this accounting policy, the Group’s profit for the period has been increased by \$211,000 (2002: decreased by \$3,000) and the Group’s net assets as at 30th September, 2003 has been decreased by \$7,863,000 (at 31st March, 2003: \$7,324,000).

簡明綜合財務報表附註**截至二零零三年九月三十日止六個月***(以港元計)***1. 編製基準及主要會計政策**

本集團之未經審核簡明綜合中期財務報表乃根據香港會計實務準則（「會計實務準則」）第25號「中期財務申報」及香港聯合交易所有限公司之證券上市規則（「上市規則」）編製。

本集團所採納之財務政策與編製本集團截至二零零三年三月三十一日止年度之綜合財務報表所採用者一致，惟採納會計實務準則12號（經修訂）「所得稅」除外：

會計實務準則12號（經修訂）規定採用負債法，據此須就中期財務報表之資產及負債之賬面值用作計算應課稅溢利之相應稅基間之所有臨時差額確認遞延稅項，而僅有少數情況可屬例外。由於會計實務準則12號（經修訂）並無任何指定過渡規定，故該項會計政策已作出追溯採納。二零零二年之比較款額已因此作出重列。

因採納此項會計政策，本集團於本期間內之溢利增加211,000元（二零零二年：減少3,000元）及本集團於二零零三年九月三十日之資產淨值減少7,863,000元（於二零零三年三月三十一日：7,324,000元）。

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, 2003 are as follows:

2. 分部報告

於二零零三年九月三十日，本集團之營業額及經營溢利，按資產所在地及客戶所在地分析如下：

| | | Hong Kong 香港 \$'000 | The PRC 中國 \$'000 | Asia Pacific 亞太地區 \$'000 | Europe 歐洲 \$'000 | Other 其他 \$'000 | Inter-segment elimination 分部間抵銷 \$'000 | Unallocated 未分類 \$'000 | Consolidated 綜合總額 \$'000 |
|--|----------------------|---------------------------|-------------------------|-----------------------------------|------------------------|-----------------------|---|------------------------------|--------------------------------|
| Six months ended 30th September, 2003 | 截至二零零三年 九月三十日止六個月 | | | | | | | | |
| Location of assets | 資產地點 | | | | | | | | |
| Revenue from external customers | 來自外界客戶 的收入 | 495,085 | 68,676 | 963 | 121,230 | 22 | - | - | 685,976 |
| Inter-segment revenue | 其他分部的交易 | 68,629 | 47,327 | 27,522 | - | 6,018 | (149,496) | - | - |
| Other revenue | 其他收入 | 1,058 | 590 | 1,190 | 146 | - | (180) | - | 2,804 |
| Total revenue | 收入總額 | 564,772 | 116,593 | 29,675 | 121,376 | 6,040 | (149,676) | - | 688,780 |
| Segment result | 分部經營結果 | 27,494 | (10,799) | (8,171) | 9,549 | (2,751) | - | 207 | 15,529 |
| Finance costs | 融資成本 | | | | | | | | (13,402) |
| Share of profits less losses of associates | 應佔聯營公司 溢利減虧損 | 2,432 | 21,385 | (2,968) | - | - | - | - | 20,849 |
| Taxation | 稅項 | | | | | | | | (7,842) |
| Minority interests | 少數股東權益 | | | | | | | | 196 |
| Profit attributable to shareholders | 股東應佔溢利 | | | | | | | | 15,330 |
| Depreciation and amortisation for the period | 期間內折舊及攤銷 | 4,055 | 13,848 | 5,404 | 633 | 1,098 | - | - | 25,038 |
| Six months ended 30th September, 2002 | 截至二零零二年 九月三十日止六個月 | | | | | | | | |
| Location of assets | 資產地點 | | | | | | | | |
| Revenue from external customers | 來自外界客戶 的收入 | 291,039 | 87,709 | 89,726 | 68,825 | 637 | - | - | 537,936 |
| Inter-segment revenue | 其他分部的交易 | 23,095 | 38,760 | - | - | 1,751 | (63,606) | - | - |
| Other revenue | 其他收入 | 7,705 | 7 | 353 | 150 | - | (3,807) | - | 4,408 |
| Total revenue | 收入總額 | 321,839 | 126,476 | 90,079 | 68,975 | 2,388 | (67,413) | - | 542,344 |
| Segment result | 分部經營結果 | 26,483 | (9,105) | (9,614) | 12,149 | (2,249) | - | 223 | 17,887 |
| Finance costs | 融資成本 | | | | | | | | (6,622) |
| Share of profits less losses of associates | 應佔聯營公司 溢利減虧損 | 3,440 | 14,198 | (3,941) | 948 | - | - | - | 14,645 |
| Taxation | 稅項 | | | | | | | | (5,776) |
| Minority interests | 少數股東權益 | | | | | | | | (2,562) |
| Profit attributable to shareholders | 股東應佔溢利 | | | | | | | | 17,572 |
| Depreciation and amortisation for the period | 期間內折舊及攤銷 | 2,949 | 6,278 | 2,584 | 235 | 271 | - | - | 12,317 |

2. SEGMENT REPORTING (Continued)

Additional information concerning geographical segments:

2. 分部報告 (續)

有關地區分部附加資料:

| | | Six months ended 30th September, 截至九月三十日止六個月 | |
|---------------------------------|--------|--|---------|
| | | 2003 | 2002 |
| | | \$'000 | \$'000 |
| Revenue from external customers | 來自外界地區 | | |
| by the location of customers | 客戶的收入 | | |
| – Europe | – 歐洲 | | |
| France | 法國 | 131,322 | 94,412 |
| United Kingdom | 英國 | 67,342 | 107,627 |
| Other European countries | 其他歐洲國家 | 126,290 | 128,529 |
| – North America | – 北美洲 | 219,073 | 105,748 |
| – Asia Pacific | – 亞太地區 | 135,804 | 86,487 |
| – Others | – 其他 | 6,145 | 15,133 |
| | | 685,976 | 537,936 |

3. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

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

3. 除稅前日常業務溢利

除稅前日常業務溢利已扣除:

| | | Six months ended 30th September, 截至九月三十日止六個月 | |
|--|---------------|--|--------|
| | | 2003 | 2002 |
| | | \$'000 | \$'000 |
| Finance costs (including bank charges) | 融資成本 (包括銀行費用) | 13,402 | 6,622 |
| Amortisation of goodwill | 商譽攤銷 | 1,384 | 520 |
| Depreciation | 折舊 | 23,654 | 11,797 |

4. TAXATION

4. 稅項

| | | Six months ended 30th September, 截至九月三十日止六個月 | |
|-------------------------------|----------|---|----------------|
| | | 2003 \$'000 | 2002 \$'000 |
| Hong Kong taxation | 香港稅項 | 3,836 | 2,408 |
| Overseas taxation | 海外稅項 | 122 | 343 |
| Deferred tax | 遞延稅項 | (211) | 3 |
| Share of associates' taxation | 應佔聯營公司稅項 | 4,095 | 3,022 |
| | | 7,842 | 5,776 |

The provision for Hong Kong Profits Tax is calculated at 17.5% (2002: 16%) of the estimated assessable profits for the six months ended 30th September, 2003. Taxation for overseas subsidiaries and branch are similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

香港利得稅準備是按截至二零零三年九月三十日止六個月之估計應課稅溢利以17.5%之稅率(二零零二年:16%)計算。海外附屬公司及分公司之稅項則同樣以相關國家適用之現行稅率計算。

5. DIVIDENDS

5. 股息

(a) Dividend attributable to the interim period

(a) 本六個月期間之股息

| | | Six months ended 30th September, 截至九月三十日止六個月 | |
|--|-----------------------------------|---|----------------|
| | | 2003 \$'000 | 2002 \$'000 |
| Interim dividend declared after the interim period end of 1 cent per share (2002: 2 cents per share) | 於本六個月期間結束後宣派之中期股息每股1仙(二零零二年:每股2仙) | 1,402 | 2,805 |

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

於本六個月期間結束後宣派之中期股息並未於本六個月期間之結算日確認為負債。

5. DIVIDENDS (Continued)

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

| | | Six months ended 30th September, 截至九月三十日止六個月 | |
|---|---|---|----------------|
| | | 2003 \$'000 | 2002 \$'000 |
| Final dividend in respect of the previous financial year, approved and paid during the interim period, of 8 cents per share (2002: 8 cents per share) | 於本六個月期間批准及派發之過往財政年度末期股息 每股8仙 (二零零二年：每股8仙) | <u>11,220</u> | <u>11,220</u> |

6. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to the shareholders of \$15,330,000 (2002: \$17,572,000) and on the weighted average number of 140,245,792 shares (2002: 140,245,792 shares) in issue during the period.

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

7. GOODWILL

The following is the carrying amount of goodwill at the reporting date:

| | | 30th September, 2003 二零零三年 九月三十日 \$'000 | 31st March, 2003 二零零三年 三月三十一日 \$'000 |
|-------------------|-----|--|--|
| Positive goodwill | 正商譽 | <u>10,710</u> | 7,013 |
| Negative goodwill | 負商譽 | <u>(11,714)</u> | <u>(2,138)</u> |
| | | <u><u>(1,004)</u></u> | <u><u>4,875</u></u> |

Negative goodwill is recognised as income on a straight line basis over 4 to 20 years. The amortisation of positive and negative goodwill for the period is included in "other operating expenses" in the Consolidated Income Statement.

5. 股息 (續)

- (b) 本六個月期間批准及派發之過往財政年度股息

6. 每股盈利

每股基本盈利乃根據股東應佔溢利 15,330,000 元 (二零零二年：17,572,000 元) 及期內已發行股份之加權平均數 140,245,792 股 (二零零二年：140,245,792 股) 計算。

由於截至二零零三年九月三十日及二零零二年九月三十日止期間並無已發行具攤薄作用之潛在普通股，故於期內並無呈列每股攤薄盈利。

7. 商譽

以下為在報告日期之商譽賬面值：

負商譽在四年至二十年內以直線法攤銷確認為收入，本期間內之正商譽及負商譽攤銷數額已計入綜合損益表內的「其他經營費用」中。

8. TRADE AND OTHER RECEIVABLES

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

8. 應收賬款及其他應收款

以下為在報告日期之應收賬款及其他應收款賬齡分析：

| | | 30th September, 2003 二零零三年 九月三十日 \$'000 | 31st March, 2003 二零零三年 三月三十一日 \$'000 |
|---|-------------------|---|--|
| 0 – 60 days | 0 – 60日 | 180,864 | 154,153 |
| 61 – 90 days | 61 – 90日 | 6,257 | 1,823 |
| > 90 days | > 90日 | 9,021 | 3,080 |
| Trade debtors and bills receivable | 應收賬款及應收票據 | 196,142 | 159,056 |
| Deposits, prepayment and other debtors | 訂金、預付款及其他應收款 | 71,676 | 41,855 |
| Amounts due from associates and related companies | 應收聯營公司及 關連公司款項 | 2,587 | 29,534 |
| Dividend receivable from associates | 應收聯營公司股息 | 7,456 | 19,027 |
| | | 277,861 | 249,472 |

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.

給予應收賬款之信貸期各有不同，一般根據個別債務人之財政實力而定。為有效管理應收賬款之信貸風險，本集團會定期評估債務人之信貸。

9. TRADE AND OTHER PAYABLES

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

| | | 30th September, 2003 二零零三年 九月三十日 \$'000 | 31st March, 2003 二零零三年 三月三十一日 \$'000 |
|---|-------------------|--|---|
| 0 – 60 days | 0 – 60日 | 51,546 | 83,672 |
| 61 – 90 days | 61 – 90日 | 5,125 | 7,618 |
| > 90 days | > 90日 | 10,366 | 3,922 |
| Trade creditors | 應付賬款 | 67,037 | 95,212 |
| Bills payable and trust receipt loans | 應付票據及信託 收據貸款 | 127,251 | 108,256 |
| Accrued charges and other creditors | 應計費用及其他 應付款 | 122,659 | 145,022 |
| Amounts due to associates and related companies | 應付聯營公司及 關連公司款項 | 76,818 | 92,389 |
| | | 393,765 | 440,879 |

9. 應付賬款及其他應付款

以下為在報告日期之應付賬款及其他應付款賬齡分析：

10. RESERVES

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

10. 儲備

於本期間內之股本變動詳情於簡明綜合股本變動表中披露。

11. CAPITAL COMMITMENTS

Capital commitments outstanding at 30th September, 2003 not provided for in the financial statements were as follows:

11. 承擔

於二零零三年九月三十日，仍未在財務報表作出準備之資本承擔如下：

| | | 30th September, 2003 二零零三年 九月三十日 \$'000 | 31st March, 2003 二零零三年 三月三十一日 \$'000 |
|--------------------------------------|-----------------|--|---|
| Contracted but not provided for | 已訂約但未作出準備 | | |
| – construction in progress | – 在建工程 | 23,586 | 51,337 |
| – fixed assets | – 固定資產 | – | 230 |
| – capital contribution to subsidiary | – 附屬公司的 資本投入 | 26,099 | 49,095 |
| – capital contribution to associate | – 聯營公司的 資本投入 | 6,630 | 6,630 |
| | | 56,315 | 107,292 |
| Authorised but not contracted for | 已授權但未訂約 | | |
| – construction in progress | – 在建工程 | 18,846 | 8,087 |
| | | 75,161 | 115,379 |

12. CONTINGENT LIABILITIES

- (a) At 30th September, 2003, there were bills discounted with banks amounting to approximately \$150,466,000 (at 31st March, 2003: \$148,764,000) for the Group.
- (b) At 30th September, 2003, there were guarantees given to banks by the Company to the extent of \$55,628,000 (at 31st March, 2003: \$55,628,000) in respect of banking facilities extended to its subsidiaries and associates.
- (c) At 30th September, 2003, 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 (at 31st March, 2003: \$94,030,000). The Group's share of these guarantees amounted to \$33,785,000 (at 31st March, 2003: \$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 financial statements. 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.

12. 或有負債

- (a) 於二零零三年九月三十日，本集團跟銀行貼現了約共150,466,000元(於二零零三年三月三十一日：148,764,000元)的票據。
- (b) 於二零零三年九月三十日，本公司就其附屬公司及聯營公司之銀行備用信貸而向銀行作出之擔保共55,628,000元(於二零零三年三月三十一日：55,628,000元)。
- (c) 於二零零三年九月三十日，一家聯營公司為其一名第三者股東就銀行貸款作出銀行擔保總額為94,030,000元(於二零零三年三月三十一日：94,030,000元)。集團應佔之擔保款項為33,785,000元(於二零零三年三月三十一日：33,785,000元)。截至二零零三年三月三十一日止年度，聯營公司已為該股東代清還銀行貸款12,224,000元。集團已按聯營公司代清還之銀行貸款應佔撥備4,392,000元記入綜合財務報表。董事認為有關之擔保將不大可能構成聯營公司更多之負債，因此，無需作更多之撥備。

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, 截至九月三十日止六個月 | |
|--------------------------------|---------|---|----------------|
| | | 2003 \$'000 | 2002 \$'000 |
| Purchases of traded products | 購買貿易產品 | 564 | 21 |
| Sales of traded products | 銷售貿易產品 | 5,378 | 4,289 |
| Rental income from properties | 物業租金收入 | 1,945 | 1,946 |
| Management fee income | 管理費收入 | 372 | 372 |
| Building management fee income | 樓宇管理費收入 | 162 | 162 |

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, 截至九月三十日止六個月 | |
|--------------------------|--------|---|----------------|
| | | 2003 \$'000 | 2002 \$'000 |
| Sales of traded products | 銷售貿易產品 | 1,981 | 2,126 |

13. 與關連人士之交易

董事們認為，下列與關連人士進行之重大交易乃於日常業務中按一般商業條款作出：

- (a) 與YGM貿易有限公司及其附屬公司（「YGMT集團」）進行之交易（本公司若干董事統稱為YGMT集團及本集團之控股股東）：

| | | Six months ended 30th September, 截至九月三十日止六個月 | |
|--------------------------------|---------|---|----------------|
| | | 2003 \$'000 | 2002 \$'000 |
| Purchases of traded products | 購買貿易產品 | 564 | 21 |
| Sales of traded products | 銷售貿易產品 | 5,378 | 4,289 |
| Rental income from properties | 物業租金收入 | 1,945 | 1,946 |
| Management fee income | 管理費收入 | 372 | 372 |
| Building management fee income | 樓宇管理費收入 | 162 | 162 |

董事會認為購買及銷售貿易產品及收取物業租金之價格及條件與提供予獨立第三者或由彼等所提供之條件相若。管理費收入與提供行政工作、業務策略、人事、法律及公司秘書工作、會計與管理服務有關，該費用是由有關人士每年按磋商後釐定。

- (b) 與YGM Marketing Pte. Limited 進行之交易（該公司為本公司若干董事實益擁有之公司）：

13. RELATED PARTY TRANSACTIONS (Continued)

- (b) Transactions with YGM Marketing Pte. Limited, which is beneficially owned by certain Directors of the Company: (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. ("Wuxi Changxin"):

| | |
|------------------------------|--------|
| Purchases of traded products | 購買貿易產品 |
| Subcontracting fee expenses | 外發加工費用 |

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

At 30th September, 2003, guarantees were given by Wuxi Changxin in respect of all the outstanding bank loans to Wuxi YGM Textile Co., Ltd. to the extent of \$298,581,000 (as at 31st March, 2003: \$187,806,000).

- (2) Transactions with Allied Textiles Limited:

| | |
|------------------------------|--------|
| Purchases of traded products | 購買貿易產品 |
| Sales of traded products | 銷售貿易產品 |

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

13. 與關連人士之交易(續)

- (b) 與YGM Marketing Pte. Limited 進行之交易(該公司為本公司若干董事實益擁有之公司): (續)

董事會認為以上交易之條件與提供予獨立第三者之條件相若。

- (c) 與聯營公司進行之交易:

- (1) 與無錫長新紡織有限公司進行之交易(「無錫長新」):

**Six months ended 30th September,
截至九月三十日止六個月**

| 2003 \$'000 | 2002 \$'000 |
|----------------|----------------|
| 40,232 | - |
| 9,802 | 6,301 |

董事會認為以上交易之條件與獨立第三者所提供之條件相若。

於二零零三年九月三十日，無錫長新為無錫長江精密紡織有限公司之全數銀行貸款298,581,000元(於二零零三年三月三十一日: 187,806,000元)作出擔保。

- (2) 與新聯興紡織有限公司進行之交易:

**Six months ended 30th September,
截至九月三十日止六個月**

| 2003 \$'000 | 2002 \$'000 |
|----------------|----------------|
| 11,073 | - |
| 1,294 | - |

董事會認為以上交易之條件與獨立第三者所提供之條件相若。

13. RELATED PARTY TRANSACTIONS (Continued)

(c) Transactions with associates: (Continued)

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

| | | Six months ended 30th September, 截至九月三十日止六個月 | |
|-----------------------------|--------|---|----------------|
| | | 2003 \$'000 | 2002 \$'000 |
| Commission income | 佣金收入 | - | 1,033 |
| Subcontracting fee expenses | 外發加工費用 | 385 | 416 |

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.

佣金收入乃本集團代YISB尋找客戶所收取之服務佣金，該佣金乃根據YISB之營業額按一個雙方議定之百分比率收取。董事會認為外發加工費用之條件與由獨立第三者所提供之條件相若。

- (4) Transactions with Hongkong Knitters Lanka (PVT) Limited ("HKKL") as an associate for the period from 1st April, 2003 to 12th May, 2003:

| | | Period from 1st April, 2003 to 12th May, 2003 二零零三年 四月一日至 二零零三年 五月十二日 止期間 \$'000 | Six months ended 30th September, 2002 截至 二零零二年 九月三十日 止六個月 \$'000 |
|---|------------|---|---|
| Purchase on behalf and sales of traded products | 代購買及銷售貿易產品 | 4 | 23,935 |
| Commission income | 佣金收入 | 573 | 2,091 |
| Subcontracting expenses | 外發加工費用 | 2,526 | - |

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 HKKL's turnover.

本集團代HKKL購買貿易產品，有關款項已按成本付還。佣金收入乃本集團代其尋找客戶所收取之佣金，該佣金乃根據HKKL之營業額按一個雙方議定之百分比率收取。

13. 與關連人士之交易(續)

(c) 與聯營公司進行之交易：(續)

- (3) 與Yangtzekiang Industries Sdn. Bhd. (「YISB」)進行之交易：

- (4) 與一間聯營公司 Hongkong Knitters Lanka (PVT) Limited (「HKKL」)於二零零三年四月一日至二零零三年五月十二日止期間內進行之交易：

13. RELATED PARTY TRANSACTIONS (Continued)

(c) Transactions with associates: (Continued)

The Company also issued a corporate guarantee of \$2,730,000 (at 31st March, 2003: \$2,730,000) to a bank in respect of general banking facilities granted by such bank to HKKL. Before 13th May, 2003, HKKL was 50% owned by the Company and 50% owned by a company controlled by certain Directors of the Company. After completion of the acquisition on 13th May, 2003, HKKL becomes the wholly-owned subsidiary of the Company. The general banking facilities were used for funding HKKL's daily working capital requirements.

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

| | | \$'000 |
|--------------------------|--------|---------------|
| Sales of traded products | 銷售貿易產品 | 10,659 |
| Commission expenses | 佣金費用 | 34 |
| | | <u>10,693</u> |

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

At 1st July, 2002, the Group increased its interest in YangtzeKiang S.A. ("YSA") from 43.16% to 86.92% by acquiring shares from independent third parties for a consideration of Euro 2. 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.

13. 與關連人士之交易(續)

(c) 與聯營公司進行之交易：(續)

本公司並向一家銀行提供相等於該銀行向HKKL授出之一般備用信貸共2,730,000元(於二零零三年三月三十一日：2,730,000元)之公司擔保。於二零零三年五月十三日以前，HKKL由本公司擁有50%，另50%則由一家由本公司若干董事控制之公司擁有。於二零零三年五月十三日該收購事項完成後，HKKL成為本公司之全資擁有附屬公司。有關銀行之備用信貸旨在為該公司提供日常流動資金。

- (5) 與一間聯營公司YangtzeKiang S.A. (「YSA」)於二零零二年四月一日至二零零二年六月三十日止期間內進行之交易：

董事會認為以上交易之條件與提供予獨立第三者之條件相若。佣金費用乃YSA代尋找客戶所收取之佣金，該佣金乃根據本集團之營業額按一個雙方議定之百分比率收取。

於二零零二年七月一日，本集團從獨立第三者增加收購YangtzeKiang S.A. (「YSA」)股份，由過往43.16%增持至目前之86.92%，代價為2歐元。於收購前，YSA為集團之聯營公司，其截至二零零二年六月三十日之集團應佔溢利是按權益會計基準記入綜合損益表。

13. RELATED PARTY TRANSACTIONS (Continued)

- (e) Transactions with non-wholly owned subsidiaries, Whampoa Textile Limited (“Whampoa”) and its subsidiaries (“Whampoa Group”) for the period from 1st April, 2003 to 12th May, 2003: (Continued)

13. 與關連人士之交易 (續)

- (e) 與非全資附屬公司黃浦江紡織有限公司(「黃浦江」)及其附屬公司(「黃浦江集團」)於二零零三年四月一日至二零零三年五月十二日止期間內進行之交易：(續)

| | | Period from 1st April, 2003 to 12th May, 2003 二零零三年 四月一日至 二零零三年 五月十二日 止期間 \$'000 | Six months ended 30th September, 2002 截至 二零零二年 九月三十日 止六個月 \$'000 |
|--------------------------------------|------------------|--|---|
| (2) Transactions with Whampoa Group: | (2) 與黃浦江集團進行之交易： | | |
| Sales of traded products | 銷售貿易產品 | - | 10,027 |
| Purchase on behalf by Whampoa Group | 黃浦江集團代購買貿易產品 | 336 | 32,432 |
| Commission expenses | 佣金費用 | 824 | 832 |
| Subcontracting fee income | 外發加工費收入 | 5,526 | 3,029 |
| Subcontracting fee expenses | 外發加工費用 | 155 | - |
| Rental income | 物業租金收入 | 624 | 870 |
| Building management fee income | 樓宇管理費收入 | 41 | 53 |
| Management fee income | 管理費收入 | 828 | 1,980 |
| Interest income | 利息收入 | 388 | 1,639 |
| | | <u>388</u> | <u>1,639</u> |

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 of the Group's 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. Their period end trade balances thereof have been eliminated on consolidation.

黃浦江集團代本集團之其他附屬公司購買貿易產品，有關款額已按成本付還。佣金費用乃黃浦江集團代尋找客戶所收取之佣金，該佣金乃根據本集團之營業額按一個雙方議定之百分比率收取。

董事會認為以上交易之條件與提供予獨立第三者或由彼等所提供之條件相若，及彼等在期末時之公司往來結餘均已在編製綜合賬目時予以抵銷。

13. RELATED PARTY TRANSACTIONS (Continued)

- (f) The acquisitions of Whampoa Textile Limited (“Whampoa”) and Hongkong Knitters Lanka (PVT) Limited (“HKKL”).

The Company had entered into the following agreement (“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.

13. 與關連人士之交易 (續)

- (f) 收購黃浦江紡織有限公司(「黃浦江」)及 Hongkong Knitters Lanka (PVT) Limited(「HKKL」)：

本公司訂立下列協議(「該等協議」)：

- (1) 於二零零三年二月十日訂立一項協議及二零零三年三月二十四日訂立一項補充協議，有關向就上市規則而言屬本公司關連人士之一的 Chan Family Investment Corporation Limited 收購黃浦江已發行股本 25%，現金代價為 5,000,000 元。
- (2) 於二零零三年二月十日訂立一項協議及二零零三年三月二十四日訂立一項補充協議，有關向就上市規則而言屬本公司關連人士之一的 Sevenoaks Associates, Inc. 收購 HKKL 已發行股本 50%，現金代價為 1 元。

該等協議已獲本公司獨立股東於二零零三年五月五日舉行之股東特別大會上批准；並於二零零三年五月十三日完成該等收購事項。在該等收購事項完成後，本集團與黃浦江集團及 HKKL 之現有多項交易將成為本公司與其全資附屬公司或其全資附屬公司之間之交易，且將無須根據上市規則第 14 章作出披露或亦無須尋求股東批准。