

YANGTZEKIANG GARMENT MANUFACTURING COMPANY LIMITED

長江製衣廠有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 294)

INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2004

The Board of Directors of YangtzeKiang Garment Mfg. Co., Ltd. (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries and associates (the “Group”) for the six months ended 30th September, 2004 as follows. The interim results have not been audited, but have been reviewed by the Company’s Audit Committee.

		Six months ended 30th September,	
		2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
	<i>Note</i>		
Turnover	2	806,226	685,976
Cost of sales		(642,720)	(557,871)
		163,506	128,105
Other revenue		2,143	3,011
Other net income		9,839	5,767
Selling and distribution expenses		(60,662)	(44,354)
Administrative expenses		(52,355)	(60,193)
Other operating expenses		(17,756)	(16,807)
Profit from operations		44,715	15,529
Finance costs		(15,422)	(13,402)
		29,293	2,127
Share of profits less losses of associates		(8,415)	20,849
Profit from ordinary activities before taxation	3	20,878	22,976
Income tax	4	(2,698)	(7,842)
Profit from ordinary activities after taxation		18,180	15,134
Minority interests		(4,109)	196
Profit attributable to shareholders		14,071	15,330
Dividend – interim declared	5	4,207	1,402
Earnings per share – Basic	6	10.0 cents	10.9 cents

Notes:

1. BASIS OF PREPARATION OF THE ACCOUNTS

The unaudited consolidated accounts have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” and Appendix 16 of Listing Rules of The Stock Exchange of Hong Kong Limited. The accounting policies and methods of computation used in the preparation of the interim accounts are consistent with those used in the annual accounts for the year ended 31st March, 2004.

2. SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because it is more relevant to the Group's internal financial reporting.

(a) The Group comprises the following main business segments:

Business segments

Six months ended 30th September,

	Manufacture and sale of garments		Manufacture and sale of textiles		Others		Unallocated		Consolidated	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Revenue from external customers	675,812	612,112	128,277	71,661	2,137	2,203	-	-	806,226	685,976
Other revenue	1,525	2,020	2	45	372	739	244	207	2,143	3,011
Total revenue	<u>677,337</u>	<u>614,132</u>	<u>128,279</u>	<u>71,706</u>	<u>2,509</u>	<u>2,942</u>	<u>244</u>	<u>207</u>	<u>808,369</u>	<u>688,987</u>
Segment result	19,457	14,348	24,219	(378)	795	1,352	244	207	44,715	15,529
Finance costs	(5,772)	(7,186)	(9,650)	(6,216)	-	-	-	-	(15,422)	(13,402)
Share of profits less losses of associates	100	(2,839)	(169)	9,211	(8,346)	14,477	-	-	(8,415)	20,849
Income tax									(2,698)	(7,842)
Minority interests									(4,109)	196
Profit attributable to shareholders									<u>14,071</u>	<u>15,330</u>
Depreciation and amortisation for the period	<u>17,274</u>	<u>17,601</u>	<u>11,176</u>	<u>6,603</u>	<u>741</u>	<u>834</u>	<u>-</u>	<u>-</u>	<u>29,191</u>	<u>25,038</u>

(b) The Group's business is managed on a worldwide basis, but participates in four principal economic environments.

Geographical segments

Six months ended 30th September,

	Revenue from external customers	
	2004 HK\$'000	2003 HK\$'000
- Europe		
France	128,379	131,322
United Kingdom	92,191	67,342
Other European countries	142,815	126,290
- Asia Pacific	229,583	135,804
- North America	204,945	219,073
- Others	8,313	6,145
	<u>806,226</u>	<u>685,976</u>

3. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

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

	Six months ended 30th September,	
	2004 HK\$'000	2003 HK\$'000
Finance costs (including bank charges)	15,422	13,402
Amortisation of goodwill	1,066	1,384
Amortisation of intangible asset	877	-
Depreciation	<u>27,248</u>	<u>23,654</u>

4. INCOME TAX

	Six months ended 30th September,	
	2004	2003
	HK\$'000	HK\$'000
Hong Kong taxation	4,184	3,836
Overseas taxation	-	122
Deferred tax	(155)	(211)
Share of associates' taxation	(1,331)	4,095
	<u>2,698</u>	<u>7,842</u>

The provision for Hong Kong Profits Tax is calculated at 17.5% (2003: 17.5%) of the estimated assessable profits for the period. 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,	
	2004	2003
	HK\$'000	HK\$'000
Interim dividend declared after the interim period end of HK2 cents per share (2003: HK1 cent per share)	<u>4,207</u>	<u>1,402</u>

The amount of the proposed interim dividend is calculated on the basis of the proposed dividend rate and the 210,368,688 ordinary shares in issue at the date of this announcement.

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

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

	Six months ended 30th September,	
	2004	2003
	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the interim period, of HK9 cents per share (2003: HK8 cents per share)	<u>12,622</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 HK\$14,071,000 (2003: HK\$15,330,000) and on the weighted average number of 140,245,792 shares (2003: 140,245,792 shares) in issue during the period.

Diluted earnings per share for the periods ended 30th September, 2004 and 30th September, 2003 have not been presented as no dilutive potential ordinary shares were outstanding during the period.

7. COMPARATIVE FIGURES

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

INTERIM DIVIDEND

The Board resolved that an interim dividend of HK2 cents per share (2003: HK1 cent) be payable on 17th January, 2005. The shareholders' register will be closed from 7th January, 2005 to 12th January, 2005 (both days inclusive). In order to qualify for interim dividend, transfer must be lodged at the company registrars, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Thursday, 6th January, 2005.

BUSINESS REVIEW AND PROSPECTS

Sales volume of the Group for the 6 month period was HK\$806,226,000 (2003: HK\$685,976,000), an increase of over 17%.

Overall profits comparison had decreased slightly to HK\$14,071,000 (2003: HK\$15,330,000) due to negative results from a few associated companies. However operating profits had in fact increased significantly for reasons as follows:

1. Garment manufacturing and garment trading business enjoyed a relatively good period. Sales revenue and results of all our factories have improved with the exception of Lesotho factory which continued to incur heavy losses due mainly to surge in exchange rate of the Rand (Lesotho's local currency) thus resulting a heavy increase in our manufacturing costs.
2. The increase of Euro and Pound Sterling exchange rates against Hong Kong dollars and U.S. dollars also added to the positive improvement for garment export to Europe and the U.K.
3. Our new investment in Wuxi China - Wuxi YGM Textile Co., Ltd. of which our Group owns 70% had achieved excellent profits as compared with a slight loss for the same period last year which was caused by the startup costs. We expect to further increase our investment in this textile factory for the next stage of expansion.

The decrease of our overall net profits was attributed mainly by the losses incurred by our associated companies. Qinghai Changqing Aluminium Corporation, one of our associated companies suffered a loss in this period due to high material and energy costs. Another associated company, Wuxi Changxin Textile Co., Ltd., of which we own 33% had made a small loss due mainly to carrying high cost inventory of raw cotton in this period. We have anticipated this to happen and have reported it in our March 2004 annual report.

As the year 2005 is approaching when export of garments to most countries in the world will be free of quota, we will review the position of all our factories carefully to best fit into this quota free environment.

LIQUIDITY AND FINANCIAL RESOURCES

During the period under review, the Group's operations continued to be financed by the internal resources and bank borrowings.

As at 30th September, 2004, the cash and bank balances (including pledged deposits) of the Group were approximately HK\$69,000,000 (as at 31st March, 2004: HK\$63,000,000). As at 30th September, 2004, the bank borrowings of the Group were approximately HK\$585,000,000 (as at 31st March, 2004: HK\$588,000,000), of which approximately HK\$340,000,000 (as at 31st March, 2004: HK\$313,000,000) was short term while approximately HK\$245,000,000 (as at 31st March, 2004: HK\$275,000,000) was long term. The gearing ratio (calculated by dividing total bank borrowings net of cash and bank balances by shareholders' equity) of the Group as at 30th September, 2004 was 124% (as at 31st March, 2004: 127%). The bank borrowings including bank loans and overdrafts are mainly in Hong Kong dollars, United States dollars and Renminbi.

To strengthen the Group's financial position, on 12th October, 2004, the Group has successfully raised funds of approximately HK\$126,000,000 by way of rights issue on the basis of one rights share for every two existing shares held by qualifying shareholders. The net proceeds of the rights issue is applied for repayment of part of the Group's bank loans, for possible expansion of textile business and for general working capital purposes.

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 receivables and payables denominated in foreign currencies against the exchange rate fluctuations.

PLEDGE OF ASSETS

As at 30th September, 2004, the Group had pledged certain assets with carrying values of HK\$276,000,000 (as at 31st March, 2004: HK\$276,000,000) to secure banking facilities granted to the Group.

EMPLOYMENT AND REMUNERATION POLICIES

As at 30th September, 2004, the Group, including its subsidiaries but excluding associates, employed approximately 7,000 employees. Remuneration package is determined with reference to their performance and the prevailing salary levels in the market. In addition, the Group provides year end double pay, provident fund scheme, medical insurances and trainings to staff.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period ended 30th September, 2004.

CODE OF BEST PRACTICE

The Company has complied with the Code of Best Practice, as set out by The Stock Exchange of Hong Kong Limited in Appendix 14 to the Listing Rules throughout the period, except that the non-executive directors of the Company were not appointed for a specific term but are subject to rotation in Annual General Meeting pursuant to Articles 95 and 104 of the Company's Articles of Association.

AUDIT COMMITTEE

The audit committee, which consists of three independent non-executive directors of the Company, has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited Interim Accounts for the six months ended 30th September, 2004.

INTERIM REPORT

The 2004 interim report containing all the information required by the Listing Rule of The Stock Exchange of Hong Kong Limited will be published on the Exchange's website.

By Order of the Board
Chan Sui Kau
Chairman

Hong Kong, 17th December, 2004

As at the date of this announcement, the directors of the Company are Chan Sui Kau, Chan Wing Fui Peter, Chan Wing Kee, Chan Wing To, Chan Suk Man, Chan Wing Sun Samuel, Chan Wing Chak David, Chan Suk Ling Shirley, Yeung Wing Tak#, Leung Hok Lim, Wong Lam* and Lin Keping**

Non-Executive Director

* *Independent Non-Executive Director*

Please also refer to the published version of this announcement in China Daily.