

YANGTZEKIANG GARMENT MANUFACTURING COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

INTERIM REPORT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2002

The Board of Directors of Yangtzekiang Garment Manufacturing 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, 2002 as follows. The interim results have not been audited, but have been reviewed by the Company’s Audit Committee.

		Six months ended 30th September,	
		2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
	Note		
Turnover	2	537,936	577,440
Cost of sales		(443,360)	(491,149)
		94,576	86,291
Other revenue		4,631	5,094
Other net income		8,238	12,446
Selling and distribution expenses		(23,495)	(20,183)
Administrative expenses		(54,744)	(51,263)
Other operating expenses		(11,319)	(12,027)
Profit from operations		17,887	20,358
Finance costs		(6,622)	(9,037)
		11,265	11,321
Share of profits less losses of associates		14,645	10,408
Profit from ordinary activities before taxation	3	25,910	21,729
Taxation	4	(5,773)	(6,150)
Profit from ordinary activities after taxation		20,137	15,579
Minority interests		(2,562)	(1,108)
Profit attributable to shareholders		17,575	14,471
Dividend – interim declared	5	2,805	2,805
Earnings per share – Basic	6	12.5 cents	10.3 cents

Notes:

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

	Hong Kong HK\$'000	The PRC HK\$'000	Asia Pacific HK\$'000	Europe HK\$'000	Inter-segment Other HK\$'000	elimination HK\$'000	Unallocated HK\$'000	Consolidated HK\$'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

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
	<i>HK\$'000</i>	<i>HK\$'000</i>
Finance costs (including bank charges)	6,622	9,037
Amortisation of positive goodwill	520	–
Depreciation	11,797	11,833
	<u>11,797</u>	<u>11,833</u>

4. TAXATION

	Six months ended 30th September,	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong taxation	2,408	2,034
Overseas taxation	343	1,349
	<u>2,751</u>	<u>3,383</u>
Share of associates' taxation	3,022	2,767
	<u>5,773</u>	<u>6,150</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
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend declared after the interim period end of HK2 cents per share (2001: HK2 cents per share)	2,805	2,805
	<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.

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

	Six months ended	
	30th September,	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Final dividend in respect of the previous financial year, approved and paid during the interim period, of HK8 cents per share (2001: HK10 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 HK\$17,575,000 (2001: HK\$14,471,000) and on the weighted average number of 140,245,792 shares (2001: 140,375,940 shares) in issue during the period.

INTERIM DIVIDEND

The Board resolved that an interim dividend of HK2 cents per share (2001: HK2 cents) be payable on 14th January, 2003. The shareholders' register will be closed from 6th January, 2003 to 10th January, 2003 (both days inclusive). In order to qualify for interim dividend, transfer must be lodged at the company registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Friday, 3rd January, 2003.

BUSINESS REVIEW AND PROSPECTS

Turnover for the Group decreased by HK\$39,504,000 to HK\$537,936,000 and net income increased by HK\$3,104,000 to HK\$17,575,000.

Although garment manufacturing business remains to be difficult, we are pleased our overall result has improved during this period compared with the same period last year. Some of the positive factors are as follows:

1. Investments in our associates, Wuxi Changxin Textile Co. Ltd., Qinghai Changqing Aluminium Corporation and W. Haking Enterprises Ltd. have all produced good results.
2. As of July 2002, Tomen Corporation of Japan and Tomen Hot-Line of Hong Kong had transferred their shares of Yangtzekiang S.A. to our Company thus increasing our shareholding from 43% to about 87% at the present time. We are fortunate to be the controlling shareholder at a time when the Company has turned around to profitability mainly due to the surge of Euro exchange rate and reduction of overhead expenses.
3. Many of our core business still produced steady and satisfactory results. They are such as garment trading, Hong Kong Knitters in China etc. Although we are facing strong price pressure, capacities of all our factories are fully booked up.

However, a few of our factories are still suffering unacceptable losses. They are Tac Cheong Lda. in Macau, YGM (Cambodia) Ltd. in Cambodia and Hong Kong Knitters in Sri Lanka. Restructuring and close supervision of these factories are currently underway.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th September, 2002, the Group had cash and bank balances of HK\$33,000,000 (as at 31st March, 2002: HK\$50,000,000). The bank borrowings, representing trade related short to medium term loans, amounted to HK\$250,000,000 (as at 31st March, 2002: HK\$197,000,000). The seasonal rise in business activities contributed to a higher level of trust receipt loans which were grouped under bank borrowings. The Group's net debt to equity ratio was 60% (as at 31st March, 2002: 42%). Calculation was based on the Group's bank borrowings, net of cash and bank balances, of HK\$217,000,000 (as at 31st March, 2002: HK\$147,000,000) and the Group's net assets of HK\$360,000,000 (as at 31st March, 2002: HK\$354,000,000).

The increase of Group's trade and other receivables and Group's trade and other payables was mainly due to the consolidation of a new subsidiary called Yangtzekiang S.A. after the increase of shareholdings from 43% to 87% during the period under review.

The Group generally finances its working capital requirements and capital commitments with internally generated cashflow and banking facilities provided by its bankers in Hong Kong. The management believes that the Group has sufficient financial resources to satisfy its working capital requirements and capital commitments.

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 currency, the Group has entered into some forward contracts to hedge its receivable and payable denominated in foreign currency against the exchange rate fluctuation.

EMPLOYMENT AND REMUNERATION POLICIES

As at 30th September, 2002, the Group, including its subsidiaries but excluding associates, employed approximately 8,000 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 insurance and training 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, 2002.

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 two 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, 2002.

INTERIM REPORT

The 2002 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, 18th December, 2002

Please also refer to the published version of this announcement in The Standard.