

YANGTZEKIANG GARMENT MANUFACTURING COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2003

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, 2003 as follows. The interim results have not been audited, but have been reviewed by the Company’s Audit Committee.

		Six months ended 30th September,	
		2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000 (Restated)
	Note		
Turnover	2	685,976	537,936
Cost of sales		(557,871)	(443,360)
		128,105	94,576
Other revenue		3,011	4,631
Other net income		5,767	8,238
Selling and distribution expenses		(23,587)	(23,495)
Administrative expenses		(80,960)	(54,744)
Other operating expenses		(16,807)	(11,319)
Profit from operations		15,529	17,887
Finance costs		(13,402)	(6,622)
		2,127	11,265
Share of profits less losses of associates		20,849	14,645
Profit from ordinary activities before taxation	3	22,976	25,910
Taxation	4	(7,842)	(5,776)
Profit from ordinary activities after taxation		15,134	20,134
Minority interests		196	(2,562)
Profit attributable to shareholders		15,330	17,572
Dividend – interim declared	5	1,402	2,805
Earnings per share – Basic	6	10.9 cents	12.5 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 “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 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 HK\$211,000 (2002: decreased by HK\$3,000) and the Group's net assets as at 30th September, 2003 has been decreased by HK\$7,863,000 (at 31st March, 2003: HK\$7,324,000).

2. SEGMENT REPORTING

	Hong Kong HK\$'000	The PRC HK\$'000	Asia Pacific HK\$'000	Europe HK\$'000	Other HK\$'000	Inter-segment elimination HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Six months ended 30th September, 2003								
Location of assets								
Revenue from external customers	495,085	68,676	963	121,230	22	-	-	685,976
Inter-segment revenue	68,629	47,327	27,522	-	6,018	(149,496)	-	-
Other revenue	1,058	590	1,190	146	-	(180)	-	2,804
Total revenue	564,772	116,593	29,675	121,376	6,040	(149,676)	-	688,780
Segment result	27,494	(10,799)	(8,171)	9,549	(2,751)	-	207	15,529
Finance costs								(13,402)
Share of profits less losses of associates	2,432	21,385	(2,968)	-	-	-	-	20,849
Taxation								(7,842)
Minority interests								196
Profit attributable to shareholders								15,330
Depreciation and amortisation for the period	4,055	13,848	5,404	633	1,098	-	-	25,038
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								(5,776)
Minority interests								(2,562)
Profit attributable to shareholders								17,572
Depreciation and amortisation for the period	2,949	6,278	2,584	235	271	-	-	12,317

3. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

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

	Six months ended 30th September,	
	2003	2002
	HK\$'000	HK\$'000
Finance costs (including bank charges)	13,402	6,622
Amortisation of goodwill	1,384	520
Depreciation	23,654	11,797

4. TAXATION

	Six months ended 30th September,	
	2003	2002
	HK\$'000	HK\$'000
Hong Kong taxation	3,836	2,408
Overseas taxation	122	343
Deferred tax	(211)	3
Share of associates' taxation	4,095	3,022

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.

5. DIVIDENDS

(a) Dividend attributable to the interim period

	Six months ended 30th September,	
	2003	2002
	HK\$'000	HK\$'000
Interim dividend declared after the interim period end of 1 cent per share (2002: 2 cents per share)	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.

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

	Six months ended 30th September,	
	2003	2002
	HK\$'000	HK\$'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)	11,220	11,220

6. EARNINGS PER SHARE

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

INTERIM DIVIDEND

The Board resolved that an interim dividend of 1 cent per share (2002: 2 cents) be payable on 15th January, 2004. The shareholders' register will be closed from 7th January, 2004 to 12th January, 2004 (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 Tuesday, 6th January, 2004.

BUSINESS REVIEW AND PROSPECTS

Turnover for the Group increased by HK\$148,040,000 to HK\$685,976,000 and net income decreased by HK\$2,242,000 to HK\$15,330,000.

Our overall profits during this period comparing with the same period last year have reduced mainly due to the following two factors:

1. The startup costs of Wuxi YGM Textile Co., Ltd. in Wuxi, a spinning factory in which our company owns 70%: This spinning factory is one of our major investments comprising of over 800,000 sq.ft. production space manufacturing mainly compact yarn which is highly in demand. We believe this project will bring in profits and will not incur any loss even for the first full year of operation.
2. Losses from overseas factories: YangtzeKiang Industries Sdn. Bhd. in Malaysia has scaled down its operation substantially because of the high manufacturing costs. H.K. International Knitters (Proprietary) Limited in Lesotho suffers from the appreciation of exchange rate of Rand, Lesotho's local currency thus resulting in much higher cost comparing with previous year's. YGM (Cambodia) Limited in Cambodia and Hongkong Knitters Lanka (PVT) Limited in Sri Lanka still incurred losses but have been substantially reduced.

On the positive side, our garment trading business in both woven and knitted is expanding and remains profitable. YangtzeKiang S.A. an import company in France recorded another profitable year and all our other investments such as Wuxi Changxin Textile Co., Ltd., Qinghai Changqing Aluminium Corporation and W. Haking Enterprises Ltd. are all profitable.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th September, 2003, the Group had cash and bank balances and bank borrowings of HK\$49 million (as at 31st March, 2003: HK\$45 million) and HK\$527 million (as at 31st March, 2003: HK\$370 million) respectively. Gearing ratio of the Group which is expressed as a percentage of total bank borrowings to shareholders' fund was 146% (as at 31st March, 2003: 104%)

The Group's total bank borrowings were increased by HK\$157 million to HK\$527 million as at 30th September, 2003. During the period under review, short-term loans of equivalent HK\$110 million were further raised by a joint venture, namely Wuxi YGM Textile Co., Ltd. ("Wuxi YGM Textile") in PRC, for its business development and construction of plant and machinery. A five-year term loan of US\$25 million has been recently offered by a bank to Wuxi YGM Textile to refinance her bank borrowings into fixed term loan. Other than the guarantee provided by an associate of the Group, namely Wuxi Changxin Textile Co., Ltd., the Group does not provide any guarantee for the loans borrowed by Wuxi YGM Textile. The management believes that the joint venture can obtain sufficient banking facilities and financial resources for its future development.

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

EMPLOYMENT AND REMUNERATION POLICIES

As at 30th September, 2003, the Group, including its subsidiaries but excluding associates, employed approximately 9,000 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, 2003.

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, 2003.

INTERIM REPORT

The 2003 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, 19th December, 2003

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