YANGTZEKIANG GARMENT LIMITED
長江製衣有限公司

(formerly known as Yangtzekiang Garment Manufacturing Co., Ltd.)
(Incorporated in Hong Kong with limited liability)
(Stock Code: 294)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2005

The Board of Directors of Yangtzekiang Garment Limited (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, 2005 as follows. The interim results have not been audited, but have been reviewed by the Company's Audit Committee.

Consolidated Income Statement – Unaudited

		Six months ended 30th September,	
		2005	2004 *(restated)*
	Note	***HK$'000***	*HK$'000*
Turnover	*3*	**753,585**	806,226
Cost of sales		**(592,887)**	(642,720)
Gross profit		**160,698**	163,506
Other revenue		**2,665**	2,143
Other net income		**(3,504)**	9,839
Selling and distribution expenses		**(59,333)**	(60,662)
Administrative expenses		**(54,125)**	(52,355)
Other operating expenses		**(18,992)**	(17,756)
Profit from operations		**27,409**	44,715
Finance costs		**(17,602)**	(15,422)
Share of profits less losses of associates		**(3,225)**	(8,415)
Profit before taxation	*4*	**6,582**	20,878
Income tax	*5*	**(2,012)**	(2,698)
Profit after taxation		**4,570**	18,180
Attributable to:			
Equity holders of the parent		**3,034**	14,071
Minority interests		**1,536**	4,109
Profit after taxation		**4,570**	18,180
Dividend – interim declared	*6*	**–**	4,207
Earnings per share – Basic	*7*	**1.4 cents**	9.8 cents

Consolidated Balance Sheet – Unaudited

	Note	At 30th September, 2005 HK$'000	At 31st March, 2005 (restated) HK$'000
Non-current assets			
Fixed assets			
Investment properties		**51,549**	51,309
Other property, plant and equipment		**540,905**	552,748
		592,454	604,057
Interest in leasehold land held for own use under an operating lease		**16,723**	16,865
Construction in progress		**135,991**	877
Intangible assets		**855**	1,853
Goodwill		**2,177**	2,177
Interest in associates		**271,658**	272,328
Loans receivable		**6,333**	6,333
Other financial assets		**3,692**	3,692
Deferred tax assets		**4,239**	4,367
		1,034,122	912,549
Current assets			
Inventories		**219,916**	233,836
Trade and other receivables	*8*	**284,315**	250,953
Loans receivable		**1,693**	1,693
Tax recoverable		**1,609**	1,693
Pledged deposits		**480**	7,995
Cash and cash equivalents		**79,972**	95,269
		587,985	591,439
Current liabilities			
Bank loans and overdrafts		**300,561**	237,778
Trade and other payables	*9*	**351,104**	392,802
Tax payable		**2,069**	2,214
		653,734	632,794
Net current liabilities		**(65,749)**	(41,355)
Total assets less current liabilities		**968,373**	871,194
Non-current liabilities			
Bank loans		**284,882**	213,746
Provision for long service payments		**6,036**	6,020
Deferred tax liabilities		**13,918**	14,111
NET ASSETS		**663,537**	637,317
CAPITAL AND RESERVES			
Share capital		**105,184**	105,184
Reserves		**488,921**	493,260
Total equity attributable to equity holders of the parent		**594,105**	598,444
Minority interests		**69,432**	38,873
TOTAL EQUITY		**663,537**	637,317

Notes:

1. **BASIS OF PREPARATION OF THE ACCOUNTS**

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorized for issuance by the Board of Directors (the "Board") on 16th December, 2005.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2004/2005 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2005/2006 annual financial statements. Details of these changes in accounting policies are set out in note 2 below.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2004/05 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs", which term collectively includes HKASs and Interpretations).

The financial information relating to the financial year ended 31st March, 2005 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31st March, 2005 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 15th July, 2005.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised HKFRSs that are effective or available for early adoption for accounting periods beginning on or after 1st January, 2005. The Board has determined the accounting policies expected to be adopted in the preparation of the Group's annual financial statements for the year ending 31st March, 2006, on the basis of HKFRSs currently in issue.

The HKFRSs that will be effective or are available for voluntary early adoption in the annual financial statements for the year ending 31st March, 2006 may be affected by the issue of additional interpretations or other changes announced by the HKICPA subsequent to the date of issuance of this interim financial report. Therefore the policies that will be applied in the Group's financial statements for that period cannot be determined with certainty at the date of issuance of this interim financial report.

The following sets out further information on the changes in accounting policies for the annual accounting period beginning on 1st April, 2005 which have been reflected in the interim financial report.

a) Employee share option scheme (HKFRS 2, Share-based payment)

In prior years, no amounts were recognized when employees (which term includes Directors) were granted share options over shares in the Company. If the employees chose to exercise the options, the nominal amount of share capital and share premium were credited only to the extent of the option's exercise price receivable.

With effect from 1st April, 2005, in order to comply with HKFRS 2, the Group recognizes the fair value of such share options as an expense in the income statement, or as an asset, if the cost qualifies for recognition as an asset under the Group's accounting policies. A corresponding increase is recognized in a capital reserve within equity.

Where the employees are required to meet vesting conditions before they become entitled to the options, the Group recognizes the fair value of the options granted over the vesting period. Otherwise, the Group recognizes the fair value in the period in which the options are granted.

If an employee chooses to exercise options, the related capital reserve is transferred to share capital and share premium, together with the exercise price. If the options lapse unexercised the related capital reserve is transferred directly to retained earnings.

The new accounting policy is required to be applied retrospectively with comparatives restated in accordance with HKFRS 2.

The change in policy had no effect on the interim financial report as there were no options existed at 1st April, 2005 or granted during the six month period ended 30th September, 2005.

b) Investment properties (HKAS 40, Investment property, and HK(SIC) Interpretation 21, Income taxes – Recovery of revalued non-depreciable assets)

– *Timing of recognition of movements in fair value in the income statement*

In prior years, movements in the fair value of the Group's investment properties were recognized directly in the investment properties revaluation reserve except when, on a portfolio basis, the reserve was insufficient to cover a deficit on the portfolio, or when a deficit previously recognized in the income statement had reversed, or when an individual investment property was disposed of. In these limited circumstances, movements in the fair value were recognized in the income statement.

Upon adoption of HKAS 40 as from 1st April, 2005, all changes in the fair value of investment properties are recognized directly in the income statement in accordance with the fair value model in HKAS 40.

These changes in accounting policy have been adopted retrospectively by increasing the opening balance of retained earnings as of 1st April, 2005 and 1st April, 2004 to include all of the Group's previous investment properties revaluation reserve.

At 30th September, 2005, the Directors have considered the carrying amount of the Group's investment properties carried at revalued amounts and estimated that the carrying amounts do not differ significantly from that which would be determined using fair values at the balance sheet date. Consequently, no revaluation surplus or deficit has been recognized in the Period.

– *Measurement of deferred tax on movements in fair value*

In prior years, the Group was required to apply the tax rate that would be applicable upon the sale of investment properties to determine whether any deferred tax should be recognized on the revaluation of investment properties. As there would have been no tax payable on the disposal of the Group's investment properties, no deferred tax in respect of the investment properties was provided in prior years.

As from 1st April, 2005, in accordance with HK(SIC) Interpretation 21, the Group recognizes deferred tax on movements in the value of an investment property using tax rates that are applicable to the property's use, if the Group has no intention to sell it and the property would have been depreciable had the Group not adopted the fair value model.

c) Leasehold land and buildings held for own use (HKAS 17, Leases)

In prior years, leasehold land and buildings held for own use or under construction were included in property, plant and equipment and stated at revalued amounts or cost less accumulated depreciation and accumulated impairment losses. Movements of revaluation surpluses or deficits were normally taken to the fixed assets revaluation reserve.

With adoption of HKAS 17 as from 1st April, 2005, the leasehold interest in the land held for own use is accounted for as being held under an operating lease where the fair value of the interest in any buildings situated on the leasehold land could be separately identified from the fair value of the leasehold interest in the land at the time the lease was first entered into by the Group, or taken over from the previous lessee, or at the date of construction of those buildings, if later. The prepaid land lease payments are amortized on a straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

This change in accounting policy has had no effect on the consolidated income statement and retained earnings. The comparatives on the consolidated balance sheet for the year ended 31st March, 2005 have been restated to reflect the reclassification of leasehold land.

d) Financial instruments (HKAS 32, Financial instruments: Disclosure and presentation and HKAS 39, Financial instruments: Recognition and measurement)

In prior years, the accounting policies for certain financial instruments were as follows:

– trading securities were stated in the balance sheet at fair value and changes in fair value were recognized in the consolidated income statement as they arose;

– other non-current investments were stated in the balance sheet at fair value with changes in fair value recognized in the investment revaluation reserve; and

– derivative financial instruments entered into by management were recognized on a cash basis.

With effect from 1st April, 2005, and in accordance with HKAS 39, the following new accounting policies have been adopted for the financial instruments mentioned above:

– All trading securities are carried at fair value. Changes in fair value are recognized in the income statement as they arise.

– All non-trading investments are classified as available-for-sale securities and carried at fair value. Changes in fair value are recognized in equity, unless there is objective evidence that an individual investment has been impaired. If there is objective evidence than an individual investment has been impaired, any amount held in the investment revaluation reserve in respect of the investment is transferred to the income statement in the period in which the impairment is identified. Any subsequent increase in the fair value of available-for-sale securities is recognized directly in equity.

  An exception to the above relates to equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured. These are measured at cost (less impairment loss, if any) until such time, if ever, that a reliable fair value becomes available. At this point, such investments should be carried at fair value in the same way as other available-for-sale securities.

– All derivative financial instruments entered into by the Group are stated at fair value. Changes in the fair value of derivatives are recognized in the income statement.

e) Amortization of positive and negative goodwill (HKFRS 3, Business combinations and HKAS 36, Impairment of assets)

In prior years:

– positive or negative goodwill which arose prior to 1st January, 2001 was taken directly to reserves at the time it arose, and was not recognized in the income statement until disposal or impairment of the acquired business;

– positive goodwill which arose on or after 1st January, 2001 was amortized on a straight-line basis over its useful life and was subject to impairment testing when there were indications of impairment; and

– negative goodwill which arose on or after 1st January, 2001 was amortized over the weighted average useful life of the depreciable/amortizable non-monetary assets acquired, except to the extent it related to identified expected future losses as at the date of acquisition. In such cases it was recognized in the income statement as those expected losses were incurred.

With effect from 1st April, 2005, in accordance with HKFRS 3 and HKAS 36, the Group no longer amortizes positive goodwill. Such goodwill is tested annually for impairment, including in the year of its initial recognition, as well as when there are indications of impairment. Impairment losses are recognized when the carrying amount of the cash generating unit to which the goodwill has been allocated exceeds its recoverable amount.

Also with effect from 1st April, 2005 and in accordance with HKFRS 3, if the fair value of the net assets acquired in a business combination exceeds the consideration paid (i.e. an amount arises which would have been known as negative goodwill under the previous accounting policy), the excess is recognized immediately in the income statement as it arises.

The new policy in respect of positive goodwill has been applied prospectively in accordance with the transitional arrangements under HKFRS 3. As a result, comparative amounts have not been restated, the cumulative amount of amortization as at 1st April, 2005 has been offset against the cost of the goodwill and no amortization charge for goodwill has been recognized in the income statement for the six months ended 30th September, 2005.

Also in accordance with the transitional arrangements under HKFRS 3, goodwill which had previously been taken directly to reserve (i.e. goodwill which arose before 1st January, 2001) will not be recognized in the income statement on disposal or impairment of the acquired business, or under any other circumstances.

f) Minority interests (HKAS 1, Presentation of financial statements and HKAS 27, Consolidated and separate financial statements)

In prior years, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and as a deduction from net assets. Minority interests in the results of the Group for the year were also separately presented in the consolidated income statement as a deduction before arriving at the profit attributable to shareholders.

With effect from 1st April, 2005, in order to comply with HKAS 1 and HKAS 27, minority interests at the balance sheet date are presented in the consolidated balance sheet within equity, separately from the equity attributable to equity holders of the parent, and minority interests in the results of the Group for the period are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the period between the minority interests and the equity holders of the parent.

The presentation of minority interests in the consolidated balance sheet, consolidated income statement and consolidated statements of changes in equity for the comparative period has been restated accordingly.

g) Summary of the effect of changes in the accounting policies

(i) Effect on opening balance of total equity at 1st April, 2005 (as adjusted)

The following table sets out the adjustments that have been made to the opening balances at 1st April, 2005. These are the aggregate effect of retrospective adjustments to the net assets as at 31st March, 2005 and the opening balance adjustments made as at 1st April, 2005.

Effect of new policy (increase/(decrease))	*Note*	**Retained earnings** *HK$'000*	**Investment properties revaluation reserve** *HK$'000*	**Total** *HK$'000*	**Minority interests** *HK$'000*	**Total equity** *HK$'000*
Prior period adjustment:						
HKAS 40						
Investment properties	*2(b)*	32,280	(34,373)	(2,093)	–	(2,093)
Opening balance adjustment:						
HKFRS 3						
Goodwill	*2(e)*	34,180	–	34,180	–	34,180
Total effect at 1st April, 2005		66,460	(34,373)	32,087	–	32,087

(ii) Effect on opening balance of total equity at 1st April, 2004 (as adjusted)

The following table sets out only those adjustments that have been made to the opening balances at 1st April, 2004. As explained in notes 2(a), (d) and (e), certain of the changes in policy did not result in retrospective adjustments being made to the opening balances as at 1st April, 2004 as this was prohibited by the relevant transitional provisions.

Effect of new policy (increase/(decrease))	*Note*	**Retained earnings** *HK$'000*	**Investment properties revaluation reserve** *HK$'000*	**Total** *HK$'000*	**Minority interests** *HK$'000*	**Total equity** *HK$'000*
HKAS 40						
Investment properties	*2(b)*	28,833	(30,793)	(1,960)	–	(1,960)
Total effect at 1st April, 2004		28,833	(30,793)	(1,960)	–	(1,960)

(iii) Effect on profit after taxation for the six months ended 30th September, 2005 (estimated) and 30th September, 2004 (as adjusted)

In respect of the six month period ended 30th September, 2005, the following table provides estimates of the extent to which the profits for that period are higher or lower than they would have been had the previous policies still been applied in their interim period, where it is practicable to make such estimates.

In respect of the six month period ended 30th September, 2004, the table discloses the adjustments that have been made to the profits as previously reported for that period, in accordance with the transitional provisions of the respective HKFRSs. As retrospective adjustments have not been made for all changes in policies, as explained in notes 2(a), (d) and (e), the amounts shown for the six month period ended 30th September, 2004 may not be comparable to the amounts shown for the current interim period.

Effect of new policy (increase/(decrease))	*Note*	**Six months ended 30th September, 2005** Equity holders of the parent *HK$'000*	Minority interests *HK$'000*	Total *HK$'000*	Six months ended 30th September, 2004 Equity holders of the parent *HK$'000*	Minority interests *HK$'000*	Total *HK$'000*
HKFRS 3							
Goodwill	2(e)	**(4,338)**	**–**	**(4,338)**	–	–	–
Total effect for the period		**(4,338)**	**–**	**(4,338)**	–	–	–
Effect on earnings per share:							
– basic		**HK$(0.02)**			––		

(iv) *Effect on net income recognized directly in equity for the six months ended 30th September, 2005 (estimated) and 30th September, 2004 (as adjusted)*

In respect of the six month period ended 30th September, 2005, the following table provides estimates of the extent to which the income or expenses recognized directly in equity are higher or lower than they would have been had the previous policies still been applied in the interim period, where it is practicable to make such estimates.

In respect of the six month period ended 30th September, 2004, the table discloses the adjustments that have been made to the net income or expenses as previously reported for that period, in accordance with the transitional provisions of the respective HKFRSs. As retrospective adjustments have not been made for all changes in policies, as explained in notes 2(a), (d) and (e), the amounts shown for the six month period ended 30th September, 2004 may not be comparable to the amounts shown for the current interim period.

Effect of new policy (increase/(decrease))	*Note*	**Six months ended 30th September, 2005** Equity holders of the parent *HK$'000*	Minority interests *HK$'000*	Total *HK$'000*	Six months ended 30th September, 2004 Equity holders of the parent *HK$'000*	Minority interests *HK$'000*	Total *HK$'000*
HKAS 39							
Interest rate swap	2(d)	**2,557**	**–**	**2,557**	–	–	–
Total effect for the period		**2,557**	**–**	**2,557**	–	–	–

3. 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. Geographical segment information has been chosen as the secondary reporting format for the purpose of these financial statements.

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

Business segments

	Manufacture & Sale of Garments *HK$'000*	**Manufacture & Sale of Textiles** *HK$'000*	**Other** *HK$'000*	**Unallocated** *HK$'000*	**Consolidated** *HK$'000*
Six months ended 30th September, 2005					
Revenue from external customers	643,864	106,135	3,586	–	753,585
Other revenue	1,971	–	372	322	2,665
Total revenue	645,835	106,135	3,958	322	756,250
Segment result	8,858	19,019	637	322	28,836
Other operating income and expenses	(1,427)	–	–	–	(1,427)
Profit from operations	7,431	19,019	637	322	27,409
Finance costs	(8,141)	(9,628)	167	–	(17,602)
Share of profits less (losses) of associates	155	1,839	(5,219)	–	(3,225)
Profit before taxation					6,582
Six months ended 30th September, 2004					
Revenue from external customers	675,812	128,277	2,137	–	806,226
Other revenue	1,525	2	372	244	2,143
Total revenue	677,337	128,279	2,509	244	808,369
Segment result	19,457	24,219	795	244	44,715
Other operating income and expenses	–	–	–	–	–
Profit from operations	19,457	24,219	795	244	44,715
Finance costs	(5,772)	(9,650)	–	–	(15,422)
Share of profits less (losses) of associates	100	(169)	(8,346)	–	(8,415)
Profit before taxation					20,878

(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	
	2005	2004
	HK$'000	*HK$'000*
– Europe		
United Kingdom	**117,668**	92,191
France	**107,585**	128,379
Italy	**96,281**	39,734
Other European countries	**90,893**	103,081
– Asia Pacific	**209,145**	229,583
– North America	**117,692**	204,945
– Others	**14,321**	8,313
	753,585	806,226

4. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	Six months ended 30th September,	
	2005	2004
		(restated)
	HK$'000	*HK$'000*
Finance costs (including bank charges)	**17,602**	15,422
Amortisation of land lease premium	**133**	148
Amortisation of goodwill	**–**	2,092
Amortisation of intangible assets	**874**	877
Depreciation	**25,472**	27,100
Dividends and interest income	**(322)**	(244)

5. INCOME TAX

	Six months ended 30th September,	
	2005	2004
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax	**1,926**	4,184
Current tax – Overseas	**8**	–
Deferred taxation	**(191)**	(155)
	1,743	4,029
Share of associates' taxation	**269**	(1,331)
	2,012	2,698

The provision for Hong Kong Profits Tax is calculated at 17.5% (2004: 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.

6. DIVIDENDS

(a) Dividend attributable to the interim period

	Six months ended 30th September,	
	2005	2004
	HK$'000	*HK$'000*
No interim dividend declared and paid after the interim period end (2004: HK2 cents per share)	**–**	4,207

The interim dividend has not been recognized as a liability at the balance sheet date.

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

	Six months ended 30th September,	
	2005	2004
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the interim period, of HK8 cents per share (2004: HK9 cents per share)	**16,829**	12,622

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to the equity holders of the parent of HK$3,034,000 (2004: HK$14,071,000) and on the weighted average number of 210,368,688 shares (2004: 143,050,708 shares after adjusting for the right issue in 2005) in issue during the period.

Diluted earnings per share for the periods ended 30th September, 2005 and 30th September, 2004 have not been presented as no dilutive potential ordinary shares were outstanding during the period.

8. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are debtors and bills receivable (net of impairment losses) with the following ageing analysis:

	30th September, 2005	31st March, 2005 *(restated)*
	HK$'000	*HK$'000*
0 – 60 days	**174,483**	154,253
61 – 90 days	**11,204**	4,541
> 90 days	**8,248**	3,664
Trade debtors and bills receivable	**193,935**	162,458
Deposits, prepayment and other debtors	**25,949**	25,706
Prepayment for investments	**37,930**	33,235
Amounts due from associates and related companies	**6,596**	9,649
Dividend receivable from associates	**19,905**	19,905
	284,315	250,953

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.

9. TRADE AND OTHER PAYABLES

Included in trade and other payables are creditors and bills payables with the following ageing analysis:

	30th September, 2005	31st March, 2005
	HK$'000	*HK$'000*
0 – 60 days	**137,060**	168,734
61 – 90 days	**3,853**	7,792
> 90 days	**8,990**	6,177
Trade creditors and bills payable	**149,903**	182,703
Accrued charges and other creditors	**146,998**	140,319
Amounts due to associates and related companies	**49,348**	63,912
Amount due to a shareholder	**4,855**	5,868
	351,104	392,802

10. POST BALANCE EVENTS

Subsequent to the balance sheet date, on 4th November, 2005, the Board announces that agreements for the following transactions were entered into:

– the establishment of the Wuxi Talak Investment Co., Ltd. ("New JV") – on 28th October, 2005, the Company entered into the joint venture contract and Articles of Association with Wuxi Guolian Development (Group) Co., Ltd. ("Wuxi Development") and Enchantment International Ltd. ("Enchantment Ltd.") to establish New JV. The total investment and registered capital of New JV amount to US$180,000,000 (approximately HK$1,404,000,000) and US$60,000,000 (approximately HK$468,000,000) respectively. Upon its establishment, New JV will be owned as to 49% by the Company, 46% by Wuxi Development and the remaining 5% by Enchantment Ltd.

– the Restructuring – on 31st October, 2005, the Company entered into the Cooperation Agreement with Wuxi Development to establish New JV as the investment holding vehicle for the Wuxi Textile Operations *(note)*, and that New JV will, following its establishment, acquire the entire equity capital of each company comprising the Wuxi Textile Operations at a consideration equivalent to the net asset value of the relevant companies as at 31st December, 2005 after deducting all profits attributable to the shareholders, if any. Based on the unaudited net asset value of the companies comprising the Wuxi Textile Operations as at 30th September, 2005, the Directors estimate the total consideration receivable by the Company under the Restructuring to be about RMB219,991,000 (approximately HK$211,126,000).

The contribution to the registered capital of New JV will be used to fund the purchase of the Wuxi Textile Operations under the Co-operation Agreement.

The establishment of New JV constitute a connected and a major acquisition of the Company and the sale of interests in the Wuxi Textile Operations under the Restructuring constitutes a major and connected disposal of the Company under Chapter 14 and 14A of the Listing Rules.

A circular containing, among others, information on New JV and the Restructuring and the recommendations of the independent board and the independent financial adviser will be despatched as soon as practicable.

Note: collectively, Allied Textiles Limited, Wuxi Changxin Textile Co., Ltd., Wuxi Changxin Real Estate Development Co., Ltd., Taizhou Changxin Textile (Xinghua) Co., Ltd., Wuxi YGM Textile Co., Ltd., Wuxi Yangtzekiang Textile Co., Ltd. and Wuxi No. 1 Cotton Mill Import and Export Co., Ltd.

INTERIM DIVIDEND

The Board resolved not to declare the payment of interim dividend for the six months ended 30th September, 2005 (2004: HK2 cents).

BUSINESS REVIEW AND PROSPECTS

Sales revenue of the Group for the 6 month period was HK$753,585,000 (2004: HK$806,226,000). Overall profits dropped to HK$3,034,000 (2004: HK$14,071,000) due to the following reasons:

1. Selling prices in garments continued to drop in spite of the re-introduction of quota to China by both the U.S. and E.U. This had a negative impact on our garment factories especially in Sri Lanka and Cambodia. In addition the depreciation of Euro's exchange rate against U.S. Dollar during the period had adversely affected our profits when exporting garments to the European markets.
2. Our French subsidiary Yangtzekiang S.A. incurred a huge loss because of unfavourable Euro exchange rate and a depressed garment market in France.
3. Our investment in Qinghai Changqing Aluminium Corporation continued to suffer significant losses due to increase of raw material prices. This investment had incurred losses for the past two years and we do not foresee any profitability returning in the near future. We are therefore reviewing different options for this investment including disposal.

We expect the second half of 2005/2006 to remain difficult although garment trading business is generally strong. We will monitor our overseas operations and to examine closely their losses.

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, 2005, the cash and bank balances (including pledged deposits) of the Group were approximately HK$80,452,000 (as at 31st March, 2005: HK$103,264,000). As at 30th September, 2005, the bank borrowings of the Group were approximately HK$585,443,000 (as at 31st March, 2005: HK$451,524,000), of which approximately HK$300,561,000 (as at 31st March, 2005: HK$237,778,000) was short term while approximately HK$284,882,000 (as at 31st March, 2005: HK$213,746,000) was long term. The gearing ratio (calculated by dividing total bank borrowings net of cash and bank balances by total equity attributable to equity holders of the parent) of the Group as at 30th September, 2005 was 85% (as at 31st March, 2005: 58%(restated)). The bank borrowings including bank loans and overdrafts are mainly in Hong Kong dollars, United States dollars and Renminbi.

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 receivable and payable denominated in foreign currencies against the exchange rate fluctuations.

PLEDGE OF ASSETS

As at 30th September, 2005, the Group had pledged certain assets with carrying values of HK$473,457,000 (as at 31st March, 2005: HK$339,317,000) to secure banking facilities granted to the Group.

EMPLOYMENT AND REMUNERATION POLICIES

As at 30th September, 2005, the Group, including its subsidiaries but excluding associates, employed approximately 7,500 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, 2005.

AUDIT COMMITTEE

The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the Interim Report for the six months ended 30th September, 2005.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has met with the code provisions of the Code on Corporate Governance Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") during the six months ended 30th September, 2005.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding Directors' securities transactions. All directors have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30th September, 2005.

INTERIM REPORT

The 2006 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, 16th December, 2005

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 Suk Ling Shirley, So Ying Woon Alan, Leung Hok Lim, Wong Lam* and Lin Keping**

* *Independent Non-Executive Director*

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