

YANGTZEKIANG GARMENT LIMITED

長江製衣有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00294)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2008

The Board of Directors of YangtzeKiang Garment Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries, associates and jointly controlled entities (the "Group") for the six months ended 30th September, 2008 as follows. The interim results have not been audited, but have been reviewed by the Company's Audit Committee.

Consolidated Income Statement - Unaudited

(Expressed in Hong Kong dollars)

	Note	Six months ended 30th September,	
		2008 \$'000	2007 \$'000
Turnover	3	778,219	754,944
Cost of sales		(639,494)	(609,524)
Gross profit		138,725	145,420
Other revenue		7,694	2,316
Other net income		3,728	6,258
Selling and distribution expenses		(64,730)	(61,594)
Administrative expenses		(42,668)	(43,423)
Other operating expenses		(15,154)	(10,080)
Profit from operations		27,595	38,897
Finance costs		(4,962)	(5,493)
Share of profits less losses of associates		854	711
Share of profits less losses of jointly controlled entities		26,554	7,699
Net valuation losses on investment properties		(7,500)	-
Profit before taxation	4	42,541	41,814
Income tax	5	(6,114)	(7,698)
Profit after taxation		36,427	34,116
Attributable to:			
Equity shareholders of the Company		36,366	34,332
Minority interests		61	(216)
Profit after taxation		36,427	34,116
Dividend - interim declared	6	2,104	10,518
Earnings per share - Basic (Cents)	7	17.3	16.3

Consolidated Balance Sheet - Unaudited

		At 30th September, 2008		At 31st March, 2008	
	Note	\$'000	\$'000	\$'000	\$'000
Non-current assets					
Fixed assets					
Investment properties		93,400		100,432	
Other property, plant and equipment		158,033		160,292	
Interests in leasehold land held for own use under operating leases		<u>2,143</u>	253,576	<u>2,125</u>	262,849
Construction in progress			1,034		291
Intangible assets			2,874		2,874
Interest in associates			12,258		12,110
Interest in jointly controlled entities			466,304		428,655
Other financial assets			1,400		1,453
Deferred tax assets			<u>1,204</u>		<u>1,204</u>
			738,650		709,436
Current assets					
Inventories		153,839		162,114	
Trade and other receivables	8	344,448		288,557	
Tax recoverable		1,264		1,008	
Cash and cash equivalents		<u>93,220</u>		<u>96,838</u>	
		<u>592,771</u>		<u>548,517</u>	
Current liabilities					
Trade and other payables	9	257,764		288,339	
Bank loans		164,911		78,434	
Tax payable		<u>12,027</u>		<u>10,702</u>	
		<u>434,702</u>		<u>377,475</u>	
Net current assets			<u>158,069</u>		<u>171,042</u>
Total assets less current liabilities			896,719		880,478
Non-current liabilities					
Provision for long service payments		26,948		24,531	
Deferred tax liabilities		<u>17,435</u>	44,383	<u>16,997</u>	41,528
NET ASSETS			<u>852,336</u>		<u>838,950</u>
CAPITAL AND RESERVES					
Share capital			105,184		105,184
Reserves			<u>746,321</u>		<u>732,996</u>
Total equity attributable to equity shareholders of the Company			851,505		838,180
Minority interests			<u>831</u>		<u>770</u>
TOTAL EQUITY			<u>852,336</u>		<u>838,950</u>

Notes:

1. **BASIS OF PREPARATION**

These consolidated interim financial statements are unaudited and have been prepared in accordance with the applicable disclosure requirements as set out in Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

2. **PRINCIPAL ACCOUNTING POLICIES**

The accounting policies used in the unaudited consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st March, 2008.

In the current interim period, the Group has applied, for the first time, amendments and new interpretations (“new HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning on 1st April, 2008.

The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the new and revised standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results or financial position of the Group.

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.

(a) Business segments

The Group comprises the following main business segments:

Six months ended 30th September,

	Manufacture and sale of garments		Manufacture and sale of textiles		Others		Unallocated		Consolidated	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Revenue from external customers	749,777	748,296	25,078	2,871	3,364	3,777	-	-	778,219	754,944
Other revenue	6,610	1,252	-	-	372	372	712	692	7,694	2,316
Total revenue	756,387	749,548	25,078	2,871	3,736	4,149	712	692	785,913	757,260
Segment result	22,276	33,308	1,976	445	2,631	4,452	712	692	27,595	38,897
Finance costs									(4,962)	(5,493)
Share of profits less losses of associates and jointly controlled entities	(320)	152	25,557	7,302	2,171	956	-	-	27,408	8,410
Net valuation losses on investment properties									(7,500)	-
Income tax									(6,114)	(7,698)
Profit for the period									36,427	34,116

(b) **Geographical segments**

The Group's business is managed on a worldwide basis, but participates in four principal economic environments:

	Revenue from external customers	
	Six months ended 30th September,	
	2008	2007
	\$'000	\$'000
- Europe		
United Kingdom	199,447	201,601
France	27,007	26,308
Other European countries	243,071	212,315
- North America	94,283	112,036
- Asia Pacific	197,830	186,484
- Others	16,581	16,200
	778,219	754,944

4. **PROFIT BEFORE TAXATION**

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

	Six months ended 30th September,	
	2008	2007
	\$'000	\$'000
(a) Finance costs:		
Interest on bank loans wholly repayable within five years (including bank charges)	4,962	5,493
(b) Staff costs:		
Salaries, wages and other benefits	109,631	97,685
Contributions to defined contribution retirement schemes	1,982	1,811
Provision for long service payment	1,762	-
	113,375	99,496
(c) Other items:		
Amortization of land lease premium	35	78
Depreciation	11,171	9,961
Auditors' remuneration	837	619
Operating lease charges:		
minimum lease payments - property rentals	4,010	2,440
Change in fair value of interest rate swap agreement	-	(263)
Loss/(gain) on disposal of fixed assets	51	(2,449)
Rentals receivable from investment properties less direct outgoings of \$873,000 (2007: \$971,000)	(2,491)	(2,805)
Dividends income and interest income	(842)	(821)

5. INCOME TAX

	Six months ended 30th September,	
	2008	2007
	\$'000	\$'000
Current tax - Hong Kong Profits Tax	5,832	7,228
Current tax - Overseas	(185)	470
Deferred tax	467	-
	<u>6,114</u>	<u>7,698</u>

The provision for Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profits for the period. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

6. DIVIDENDS

(a) Dividends payable to equity shareholders of the Company attributable to the interim period

	Six months ended 30th September,	
	2008	2007
	\$'000	\$'000
Interim dividend declared after the interim period end of \$0.01 (2007: \$0.05) per share	<u>2,104</u>	<u>10,518</u>

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

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the interim period

	Six months ended 30th September,	
	2008	2007
	\$'000	\$'000
Final dividend in respect of the previous financial year, approved and paid during the interim period, of \$0.18 (2007: \$0.15) per share	<u>37,866</u>	<u>31,555</u>

7. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of \$36,366,000 (2007: \$34,332,000) and on 210,369,000 ordinary shares (2007: 210,369,000 shares) in issue throughout the period.

(b) Diluted earnings per share

The diluted earnings per share is not presented as there were no dilutive potential ordinary shares in existence during the periods ended 30th September, 2008 and 2007.

8. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade debtors and bills receivable with the following ageing analysis as of the balance sheet date:

	30th September,	31st March,
	2008	2008
	\$'000	\$'000
Current	158,957	150,629
Less than 60 days past due	30,236	56,137
61 - 90 days past due	6,890	4,240
More than 90 days past due	16,285	10,700
	<u>212,368</u>	<u>221,706</u>
Less: allowances for doubtful debts	<u>(5,570)</u>	<u>(2,324)</u>
Trade debtors and bills receivable	206,798	219,382
Loans receivables	155	4,711
Deposits, prepayments and other debtors	45,836	25,912
Amounts due from related companies	8,325	6,452
Amounts due from associates and jointly controlled entities	53,141	-
Dividend receivable from associates and jointly controlled entities	30,193	30,938
Derivative financial instruments	-	1,162
	<u>344,448</u>	<u>288,557</u>

Trade debtors and bills receivable are due between 30 days to 90 days from the date of billing.

9. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade creditors and bills payable with the following ageing analysis as of the balance sheet date:

	30th September,	31st March,
	2008	2008
	\$'000	\$'000
Less than 60 days	128,777	129,181
61 - 90 days	1,376	11,562
More than 90 days	843	24,742
	<u>130,996</u>	<u>165,485</u>
Trade creditors and bills payable	120,559	108,133
Accrued charges and other creditors	437	3,709
Amounts due to related companies	3,031	7,686
Amounts due to associates and jointly controlled entities	2,741	3,326
Amount due to a shareholder	<u>257,764</u>	<u>288,339</u>

10. POST BALANCE SHEET EVENT

On 28th November, 2008, the Group entered into an agreement to dispose of its entire 49% interest in Yangtzekiang Industries Sdn. Bhd. ("YISB"), an associate of the Group, with Travelite Holdings Limited ("Travelite") for a consideration of RM3,845,215. Travelite is a listed company in Singapore. The consideration will be satisfied through the issue of new ordinary shares in the capital of Travelite at an issue price of SGD0.38 (based on the agreed exchange rate of RM1.00 to SGD0.419).

INTERIM DIVIDEND

The Board resolved that an interim dividend of \$0.01 (2007: \$0.05) per share for the period ended 30th September, 2008 be payable on 15th January, 2009.

CLOSURE OF REGISTER OF MEMBER

The register of members of the Company will be closed from 6th January, 2009 to 9th January, 2009 (both days inclusive). In order to qualify for the interim dividend, transfers must be lodged with the company share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Monday, 5th January, 2009.

BUSINESS REVIEW AND PROSPECTS

We are pleased to announce that the sales revenue of the Group for the 6-month period ended 30th September, 2008 was \$778,219,000, a slight increase of 3% as compared with the same period last year (2007: \$754,944,000). Overall group profit for the period increased by 7% to \$36,427,000 (2007: \$34,116,000). The main reason for this increase was the booking of all the balance of the compensation derived from the relocation of one of our Wuxi's textile factories in the first half of the year. In fact our 6-month period operating profit had decreased 29% to \$27,595,000 (2007: \$38,897,000). This decrease was mainly due to losses incurred by our China garment manufacturing operation as well as losses from the textile operation by our Wuxi investment.

The global economic crisis has caused our customers to cut down their purchases. We expect business conditions for the second half of the year to continue to deteriorate, and the profits for the whole financial year ending 31st March, 2009 will be significantly lower than the previous year's.

FINANCIAL POSITION AND CAPITAL STRUCTURE

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

As at 30th September, 2008, the cash and bank balances of the Group were approximately HK\$93,220,000 (as at 31st March, 2008: HK\$96,838,000). As at 30th September, 2008, the bank borrowings of the Group has short term borrowings of approximately HK\$164,911,000 (as at 31st March, 2008: HK\$78,434,000) and there was no long term borrowings (as at 31st March, 2008: Nil). The gearing ratio (calculated by dividing total bank borrowings by total equity) of the Group was 0.19 (as at 31st March, 2008: 0.09). The bank borrowings including bank loans and overdrafts are mainly in Hong Kong dollars.

The Group adopts a prudent policy to hedge the fluctuation of foreign exchange rates. Most of the operating activities are denominated in Hong Kong dollars, United States dollars, Euros, Pounds Sterling or Renminbi. For those denominated in other currencies, the Group may enter into forward foreign exchange contracts to hedge its receivables and payables denominated in foreign currencies against the exchange rate fluctuations, when the exposure is significant.

The share capital of the Company remained unchanged during the period under review.

PLEDGE OF ASSETS

As at 30th September, 2008, the Group had pledged certain assets with carrying values of HK\$54,911,000 (as at 31st March, 2008: HK\$42,184,000) mainly for security of banking facilities granted to the Group.

EMPLOYMENT AND REMUNERATION POLICIES

As at 30th September, 2008, the Group, including its subsidiaries but excluding its associates and jointly controlled entities, employed approximately of 6,000 employees. Remuneration packages are determined by reference to employees' performance and the prevailing salary levels in the market. In addition, the Group provides year end double pay, a 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, 2008.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises three independent non-executive directors of the Company.

The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and the unaudited interim financial statements of the Group for the period ended 30th September, 2008.

CORPORATE GOVERNANCE PRACTICES

The Board firmly believes that corporate governance is essential to the success of the Company and has adopted various measures to ensure its strict compliance with relevant regulatory requirements, a high level of transparency in corporate governance and an excellent performance in operation.

In the opinion of the Board, the Company has complied throughout the period ended 30th September, 2008 with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules, except that the Non-executive Directors were not appointed for a specific term but are subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the Company's articles of association.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a Securities Dealing Code regarding director's securities transactions on terms no less exacting than required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 of the Listing Rules. All Directors have confirmed, upon specific enquiry by the Company, that they have complied with the required standard set out in the Model Code and its Securities Dealing Code throughout the period under review.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

The results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkex.com.hk under "Latest Listed Companies Information" and the website of the Company at www.ygm.com.hk under "Results Announcement". The interim report for the period ended 30th September, 2008 will be dispatched to the shareholders and published on the above websites in due course.

By Order of the Board
Chan Sui Kau
Chairman

Hong Kong, 15th December, 2008

As at the date of this announcement, the executive directors of the Company are Mr. Chan Sui Kau, Mr. Chan Wing Fui Peter, Mr. Chan Wing Kee, Mr. Chan Wing To, Ms. Chan Suk Man, Mr. Chan Wing Sun Samuel, Ms. Chan Suk Ling Shirley and Mr. So Ying Woon Alan; and the independent non-executive directors are Mr. Leung Hok Lim, Mr. Wong Lam and Mr. Lin Keping.