

YANGTZEKIANG GARMENT LIMITED

長江製衣有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 294)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2007

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, 2007 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)

		Six months ended 30th September,	
		2007	2006
	Note	\$'000	\$'000
Turnover	3	754,944	783,323
Cost of sales		(609,524)	(624,395)
Gross profit		145,420	158,928
Other revenue		2,316	5,529
Other net income		6,258	16,128
Selling and distribution expenses		(61,594)	(64,415)
Administrative expenses		(43,423)	(51,261)
Other operating expenses		(10,080)	(14,989)
Profit from operations		38,897	49,920
Finance costs		(5,493)	(9,015)
Share of profits less losses of associates		711	(210)
Share of profits less losses of jointly controlled entities		7,699	5,499
Impairment of a subsidiary		-	(8,517)
Profit before taxation	4	41,814	37,677
Income tax	5	(7,698)	(9,291)
Profit after taxation		34,116	28,386
Attributable to:			
Equity shareholders of the Company		34,332	28,417
Minority interests		(216)	(31)
Profit after taxation		34,116	28,386
 Dividend – interim declared	6	 10,518	 6,311
 Earnings per share – Basic (Cents)	7	 16.3	 13.5

Consolidated Balance Sheet – Unaudited

		At 30th September, 2007		At 31st March, 2007	
	Note	\$'000	\$'000	\$'000	\$'000
Non-current assets					
Fixed assets					
Investment properties		87,063		86,677	
Other property, plant and equipment		148,361		146,607	
Interests in leasehold land held for own use under operating leases		6,930	242,354	6,955	240,239
Construction in progress			-		42
Intangible assets			2,874		2,874
Interest in associates			15,608		14,671
Interest in jointly controlled entities			330,194		314,042
Other financial assets			4,588		4,586
			595,618		576,454
Current assets					
Inventories		137,938		139,038	
Trade and other receivables	8	294,138		324,105	
Tax recoverable		1,291		1,493	
Cash and cash equivalents		64,213		80,055	
		497,580		544,691	
Current liabilities					
Trade and other payables	9	279,356		301,578	
Bank loans and overdrafts		88,983		104,624	
Tax payable		9,832		3,806	
		378,171		410,008	
Net current assets			119,409		134,683
Total assets less current liabilities			715,027		711,137
Non-current liabilities					
Bank loans		-		11,250	
Provision for long service payments		3,591		3,591	
Deferred tax liabilities		16,881	20,472	16,819	31,660
NET ASSETS			694,555		679,477
CAPITAL AND RESERVES					
Share capital			105,184		105,184
Reserves			588,608		573,547
Total equity attributable to equity shareholders of the Company			693,792		678,731
Minority interests			763		746
TOTAL EQUITY			694,555		679,477

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 condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st March, 2007.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (“new HKFRSs”) issued by the HKICPA which are effective for the Group’s financial period beginning 1st April, 2007.

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures ¹
HKFRS 7	Financial Instruments: Disclosures ¹
HK(IFRIC) – INT 8	Scope of HKFRS 2 ²
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives ³
HK(IFRIC) – INT 10	Interim Financial Reporting and Impairment ⁴
HK(IFRIC) – INT 11	HKFR2 – Group and Treasury Share Transactions ⁵

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 following new HKFRSs that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these new HKFRSs will have no material impact on the results or financial positions of the Group.

HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC) – INT 12	Service Concession Arrangement ²
HK(IFRIC) – INT 13	Customer Loyalty Programmes ³
HK(IFRIC) – INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ²

¹ Effective for annual periods beginning on or after 1st January, 2009.

² Effective for annual periods beginning on or after 1st January, 2008.

³ Effective for annual periods beginning on or after 1st July, 2008.

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	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	\$' 000	\$' 000	\$' 000	\$' 000	\$' 000	\$' 000	\$' 000	\$' 000	\$' 000	\$' 000
Revenue from external customers	748,296	776,901	2,871	2,493	3,777	3,929	-	-	754,944	783,323
Other revenue	1,252	2,497	-	-	372	372	692	2,660	2,316	5,529
Total revenue	749,548	779,398	2,871	2,493	4,149	4,301	692	2,660	757,260	788,852
Segment result	33,308	44,570	445	400	4,452	2,290	692	2,660	38,897	49,920
Finance costs									(5,493)	(9,015)
Share of profits less losses of associates and jointly controlled entities	152	(73)	7,302	4,812	956	550	-	-	8,410	5,289
Impairment of a subsidiary									-	(8,517)
Income tax									(7,698)	(9,291)
Profit for the period									34,116	28,386

(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,	
	2007	2006
	\$'000	\$'000
- Europe		
United Kingdom	201,601	222,634
France	26,308	86,016
Other European countries	212,315	182,057
- North America	112,036	95,878
- Asia Pacific	186,484	179,822
- Others	16,200	16,916
	754,944	783,323

4. **PROFIT BEFORE TAXATION**

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

	Six months ended 30th September,	
	2007	2006
	\$'000	\$'000
(a) Finance costs:		
Interest on bank loans wholly repayable within five years (including bank charges)	5,493	9,015
(b) Staff costs:		
Salaries, wages and other benefits	97,685	94,912
Contributions to defined contribution retirement schemes	1,811	1,512
	99,496	96,424
(c) Other items:		
Amortisation of land lease premium	78	73
Depreciation	9,961	14,377
Operating lease charges:		
minimum lease payments - property rentals	2,440	2,569
Auditors' remuneration	619	842
Change in fair value of interest rate swap agreement	(263)	1,135
Impairment of a subsidiary	-	8,517
Tax refund upon reinvestment of dividend income from an associate	-	(2,114)
Gain on disposal of fixed assets	(2,449)	(13,259)
Rental receivable from investment properties less direct outgoings of \$971,000 (2006: \$715,000)	(2,805)	(3,214)
Dividends income and interest income	(821)	(545)

5. INCOME TAX

	Six months ended 30th September,	
	2007	2006
	\$'000	\$'000
Current tax - Hong Kong Profits Tax	7,228	7,521
Current tax - Overseas	470	1,770
	<u>7,698</u>	<u>9,291</u>

The provision for Hong Kong Profits Tax is calculated at 17.5% (2006: 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,	
	2007	2006
	\$'000	\$'000
Interim dividend declared after the interim period end of \$0.05 (2006: \$0.03) per share	<u>10,518</u>	<u>6,311</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,	
	2007	2006
	\$'000	\$'000
Final dividend in respect of the previous financial year, approved and paid during the interim period, of \$0.15 (2006: \$0.08) per share	<u>31,555</u>	<u>16,829</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 \$34,332,000 (2006: \$28,417,000) and on 210,368,688 ordinary shares (2006: 210,368,688 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, 2007 and 30th September, 2006.

8. TRADE AND OTHER RECEIVABLES

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

	30th September, 2007 \$'000	31st March, 2007 \$'000
0 – 60 days	224,207	238,964
61 – 90 days	3,319	5,880
> 90 days	4,474	2,438
Trade debtors and bills receivable	232,000	247,282
Loans receivable	1,935	3,109
Deposits, prepayments and other debtors	28,114	35,533
Amounts due from related companies	3,408	8,277
Amounts due from a jointly controlled entity	557	-
Dividends receivable from associates and jointly controlled entities	28,109	29,904
Amount due from a shareholder	15	-
	294,138	324,105

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 trade creditors and bills payable with the following aging analysis:

	30th September, 2007 \$'000	31st March, 2007 \$'000
0 – 60 days	122,979	155,715
61 – 90 days	15,821	11,392
> 90 days	12,102	13,620
Trade creditors and bills payable	150,902	180,727
Accrued charges and other creditors	122,348	113,200
Amounts due to related companies	1,514	217
Amounts due to associates and jointly controlled entities	4,592	4,148
Amount due to a shareholder	-	3,286
	279,356	301,578

INTERIM DIVIDEND

The Board resolved that an interim dividend of \$0.05 (2006: \$0.03) per share be payable on 15th January, 2008. The shareholders' register will be closed from 4th January, 2008 to 9th January, 2008 (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 4:30 p.m. on Thursday, 3rd January, 2008.

BUSINESS REVIEW AND PROSPECTS

We are pleased to announce that the sales revenue of the Group for the 6-month period ended 30th September, 2007 was \$755 million, a slight drop of 3.6% as compared with the same period last year (2006: \$783 million). However the profits attributable to the shareholders of the Company for the period increased by 20% to \$34 million (2006: \$28 million). Whilst the loss of \$8.5 million on the disposal of our French company in same period last year partly accounted for the increase in the profit comparison, the increase in the operating profits is attributable to the following factors:-

1. Results of our garment manufacturing and trading business in both woven and knits had continued to improve;
2. Exchange gain from the strong Euro and Pound Sterling during the period; and
3. Wuxi operation profits had also improved.

At the time of this report, we have ceased operation of our Cambodian garment factory which had incurred losses for the past several years.

We expect the Group will continue to see positive results in the remaining period of the financial year ending 31st March, 2008.

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, 2007, the cash and bank balances of the Group were approximately \$64 million (as at 31st March, 2007: \$80 million).

As at 30th September, 2007, the total bank borrowings of the Group amounted to \$89 million (as at 31st March, 2007: \$116 million). Except for the above, as at 30th September, 2007, there was no bank borrowings which was repayable after one year (as at 31st March, 2007: \$11 million).

The gearing ratio (calculated by dividing total bank borrowings net of cash and bank balances by total equity) of the Group as at 30th September, 2007 was 4% (as at 31st March, 2007: 5%). 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 or United States dollars. 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, 2007, the Group had no pledged assets (as at 31st March, 2007: \$38 million) for security of banking facilities granted to the Group.

EMPLOYMENT AND REMUNERATION POLICIES

As at 30th September, 2007, the Group, including its subsidiaries but excluding its associates and jointly controlled entities, employed approximately of 5,600 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, 2007.

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 statement of the Group for the period ended 30th September, 2007.

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, 2007 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, 2007 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, 14th December, 2007

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