



PEKING APPAREL INTERNATIONAL GROUP LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 761)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2005

The Board of Directors of Peking Apparel International Group Limited (the “Company”) hereby announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2005 together with the comparative figures for the last year as follows:

	<i>Notes</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
TURNOVER	3&4	115,315	89,636
Cost of sales		(87,909)	(69,656)
Gross profit		27,406	19,980
Other revenue and gains		3,925	1,359
Selling and distribution costs		(4,983)	(4,630)
Administrative expenses		(11,546)	(11,629)
Other operating expenses		(1,607)	(2,183)
PROFIT FROM OPERATING ACTIVITIES	5	13,195	2,897
Finance costs		(213)	(332)
PROFIT BEFORE TAX		12,982	2,565
Tax	6	(675)	–

**NET PROFIT FROM
ORDINARY ACTIVITIES
ATTRIBUTABLE TO
SHAREHOLDERS**

		<u>12,307</u>	<u>2,565</u>
DIVIDENDS	7		
Interim		1,902	–
Proposed final		3,170	3,170
		<u>5,072</u>	<u>3,170</u>
EARNINGS PER SHARE – Basic	8	<u>3.88 cents</u>	<u>0.81 cents</u>

Notes:

1. Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of certain fixed assets.

2. Impact of recently issued Hong Kong Financial Reporting Standards

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, herein collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 March 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

3. Turnover

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts during the year.

4. Segment information

(a) Business segments

The following tables present revenue and profit information for the Group's business segments.

2005

	Fur HK\$'000	Leather HK\$'000	Fabric garments HK\$'000	Corporate and others HK\$'000	Consolidated HK\$'000
Segment revenue:					
Sales to external customers	73,400	24,058	17,052	805	115,315
Segment results	15,002	6,372	4,170	(12,568)	12,976
Interest income					219
Profit from operating activities					13,195
Finance costs					(213)
Profit before tax					12,982
Tax					(675)
Net profit from ordinary activities attributable to shareholders					12,307

2004

	Fur HK\$'000	Leather HK\$'000	Fabric garments HK\$'000	Corporate and others HK\$'000	Consolidated HK\$'000
Segment revenue:					
Sales to external customers	52,504	25,085	11,716	331	89,636
Segment results	10,330	4,037	1,942	(13,646)	2,663
Interest income					234
Profit from operating activities					2,897
Finance costs					(332)
Profit before tax					2,565
Tax					-
Net profit from ordinary activities attributable to shareholders					2,565

(b) *Geographical segments*

The following tables present revenue and certain asset and expenditure information for the Group's geographical segments.

Group

2005

	Hong Kong HK\$'000	Mainland China HK\$'000	Germany HK\$'000	United States of America HK\$'000	Other countries HK\$'000	Consolidated HK\$'000
Segment revenue:						
Sales to external customers	44,377	23,619	26,897	6,636	13,786	115,315
Other segment information:						
Segment assets	20,558	86,928	224	281	210	108,201
Unallocated assets	-	-	-	-	-	29,370
Bank overdrafts included in segment assets	13,669	-	-	-	-	13,669
Total assets						151,240
Capital expenditure	-	409	-	-	-	409

2004

	Hong Kong HK\$'000	Mainland China HK\$'000	Germany HK\$'000	United States of America HK\$'000	Other countries HK\$'000	Consolidated HK\$'000
Segment revenue:						
Sales to external customers	28,588	26,051	21,641	1,912	11,444	89,636
Other segment information:						
Segment assets	40,842	53,848	186	94	519	95,489
Unallocated assets	-	-	-	-	-	26,369
Bank overdrafts included in segment assets	166	-	-	-	-	166
Total assets						122,024
Capital expenditure	595	70	-	-	-	665

5. Profit from operating activities

The Group's profit from operating activities is arrived at after charging/(crediting):

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation	1,568	1,627
Loss/(gain) on disposal of fixed assets	65	(40)
Revaluation surplus on fixed assets	(3,019)	(216)
	<u> </u>	<u> </u>

6. Tax

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax charge in Mainland China	675	–
	<u> </u>	<u> </u>

No provision for Hong Kong profits tax has been made as the Group has available tax losses brought forward from prior years to offset the assessable profits generated during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

7. Dividends

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim – HK0.6 cent (2004: Nil) per ordinary share	1,902	–
Proposed final – HK1.0 cent (2004: HK1.0 cent) per ordinary share	3,170	3,170
	<u>5,072</u>	<u>3,170</u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

8. Earnings per share

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the year of HK\$12,307,000 (2004: HK\$2,565,000) and 317,035,700 ordinary shares in issue during the years.

Diluted earnings per share amounts for the years ended 31 March 2005 and 2004 have not been disclosed as no diluting events existed during these years.

PROPOSED FINAL DIVIDEND

Subject to the approval of the shareholders at the Annual General Meeting to be held on 31 August 2005, the Directors recommend a final dividend of HK1.0 cent (2004: HK1.0 cent) per ordinary share for the year which together with the interim dividend of HK0.6 cent (2004: nil) per ordinary share makes out total dividend of HK1.6 cent (2004: HK1.0 cent) per share.

BUSINESS REVIEW

With the ameliorating worldwide economy and the successful marketing strategy, the Group's overall turnover recorded satisfactory improvement over the year. The improvement in turnover was mainly come from the USA, Europe and the local market. During the year under review, increased marketing resources were allocated to the PRC market. As a result, the performance of the Group's garment sales in the PRC was satisfactory in terms of the extension of sales network and the increase in geographical coverage in major and second - to third - tiers cities. With the well recognition by new customers from Japan and Korea to our Groups' fashionable design and workmanship, sales to these two markets were improved during the year.

Apart from the increase in the Group's turnover, the Group was able to maintain its gross profit margin and its overall expenses. As a result, the Group was able to achieve a remarkable improvement in its overall results for the year.

FUTURE OUTLOOK

Looking ahead to the coming year, the Group has identified a number of opportunities for further growth and development. We will dedicate further efforts to enhancing the service we provide to our existing and new customers. With the well recognition of our existing customers, such as Jones Apparel Group from the USA, they have referred new customers to us. We appreciate for their invaluable support to us. With their efforts in referring new opportunities to us, we will be able to broaden our customer base as well as improving our overall sales worldwide. As part of the Group's long term strategy, we will continuously implement appropriate measures to improve our production efficiencies and productivities, product quality and cost control. Together with aggressive but prudent marketing approach in business expansion, the Group should be able to improve its competitiveness and returns for the shareholders.

EMPLOYEES, TRAINING AND REMUNERATION POLICY

As at 31 March 2005, the Group employed 501 full time employees, of which, 480 were in the PRC and 21 in Hong Kong. The Group continues to maintain and upgrade the capabilities of its workforce by providing them with training.

The Group's employee remuneration packages are in line with industry norms, which are subject to annual review. Discretionary bonuses are awarded to employees based on both individual and the Group's overall performances each year. Other staff benefits include Mandatory Provident Fund retirement benefits scheme and other subsidies. In the PRC, the Group provides staff welfare and bonus to its employees with prevailing labour laws in China.

CAPITAL EXPENDITURE

During the year under review, there is no material capital expenditure for business development. As of today, there is no plan for any material investments or capital assets to be acquired.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continues to finance its operations, capital expenditure and business development from internal cash flows and banking facilities provided by its bankers.

As at 31 March 2005, the Group's net current assets is approximately HK\$92,121,000 (2004: HK\$85,563,000). Total cash and bank balances and pledged bank deposits increased from HK\$28,486,000 to HK\$34,334,000; whereas, bank overdrafts increased substantially from HK\$166,000 to HK\$13,669,000. The net cash and bank balances decreased by HK\$7,655,000 over the year.

The Group's gearing ratio at the year-end is 0.18 (2004: 0.06), which was calculated based on total liabilities of HK\$22,581,000 (2004: HK\$6,869,000) and shareholders' funds of HK\$128,659,000 (2004: HK\$115,155,000). With low gearing ratio and sound financial position, the management believes that the Group is well placed to avail itself to future expansion.

CHARGE ON ASSETS

Certain of the Group's bank deposits and leasehold land and buildings were pledged to secure banking facilities granted to the Group.

CONTINGENT LIABILITIES

At balance sheet date, the Group had no significant contingent liabilities.

FINANCIAL RISK MANAGEMENT

For the year ended 31 March 2005, the Group was not subjected to any significant exposure to foreign exchange rates risk as majority transactions of the Group were primarily denominated in Hong Kong dollars, US dollars and Renminbi. Hence, no related financial hedging instrument was employed.

Payment terms with customers are mainly on letter of credits, cash on delivery and on credit terms. In order to minimize the credit risk associated with trade debtors, the Group is very cautious in granting credits. Credit terms granted vary among individual customers.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice (the “Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) (in force prior to January 1, 2005) throughout the accounting period covered by the annual report, except that the non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company’s bye-laws.

On 1 January 2005, the Code was replaced by the Code of Corporate Governance Report as set out in Appendices 14 and 23 of the Listing Rules (the “New Code”). The Company’s compliance of the New Code will come into effect in the year ending 31 March 2006.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group’s financial reporting process and internal controls including the review of the audited consolidated financial statements for the year ended 31 March 2005. The audit committee comprises the three independent non-executive directors of the Company.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 26 August 2005 to Wednesday, 31 August 2005, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the entitlement to the proposed final dividend for the year ended 31 March 2005 and for attending and voting at the above meeting, unregistered holders of shares of the Company should ensure that all transfers of shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the Company's Branch Share Registrar in Hong Kong, Tengis Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 25 August 2005.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

PUBLICATION OF DETAILED ANNUAL RESULTS ON THE STOCK EXCHANGE WEBSITE

All information required by paragraphs 45(1) to 45(3) of Appendix 16 to the Listing Rules of The Stock of Exchange of Hong Kong Limited (the "Stock Exchange") will be published on the Stock Exchange's website <http://www.hkex.com.hk> in due course.

On behalf of the Board
Char On Man

Chairman and Managing Director

Hong Kong, 20 July 2005

As at the date of this notice, the executive Directors are Mr. Char On Man, Ms. So Choi Hing and Mr. Li Wing Tak and the independent non-executive Directors are Mr. Woo Michael, Mr. Ho Wai Chi, Paul and Mr. Chen Yeh Ming, Steve.

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