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長江製衣有限公司
YANGTZEKIANG GARMENT LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00294)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2011

The Board of Directors of Yangtzekiang Garment Limited (“**the Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (together referred to as “**the Group**”) and the Group’s interests in associates and jointly controlled entities for the year ended 31 March 2011 together with comparative figures for the corresponding period and selected explanatory information as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2011

(Expressed in Hong Kong dollars)

	<i>Note</i>	2011 \$'000	2010 \$'000
Turnover	3&4	1,416,250	1,310,042
Cost of sales		<u>(1,197,870)</u>	<u>(1,096,120)</u>
Gross profit		218,380	213,922
Other revenue		6,336	4,653
Other net (loss)/income		(2,187)	11,115
Selling and distribution expenses		(102,975)	(101,954)
Administrative expenses		(75,965)	(84,041)
Other operating expenses		<u>(17,368)</u>	<u>(22,992)</u>
Profit from operations		26,221	20,703
Finance costs	5(a)	(5,695)	(5,634)
Share of profits less losses of associates		484	1,306
Share of profits less losses of jointly controlled entities		72,594	34,237
Net gain on disposals of subsidiaries		1,808	-
Gain on disposal of associate		293	-
Impairment losses on interest in associate and dividend receivable from associate reversed/(recognised)		7,914	(7,914)
Impairment loss on fixed assets reversed/(recognised)		5,498	(21,014)
Gain on disposals of land and buildings and investment properties	6	-	81,133
Net valuation gains on investment properties		<u>20,298</u>	<u>20,915</u>
Profit before taxation	5	129,415	123,732
Income tax	7	<u>(17,771)</u>	<u>(20,086)</u>
Profit for the year		<u>111,644</u>	<u>103,646</u>
Attributable to:			
Equity shareholders of the Company		111,111	103,479
Non-controlling interests		<u>533</u>	<u>167</u>
Profit for the year		<u>111,644</u>	<u>103,646</u>
Earnings per share			
Basic and diluted	9	<u>\$0.53</u>	<u>\$0.49</u>

Details of dividend payable to equity shareholders of the Company attributable to the profit for the year are set out in note 8.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2011
(Expressed in Hong Kong dollars)

	2011	2010
	\$'000	\$'000
Profit for the year	111,644	103,646
Other comprehensive income for the year (after reclassification adjustments)		
Exchange differences:		
- translation of financial statements of subsidiaries outside Hong Kong	5,332	413
- share of associates' and jointly controlled entities' exchange reserves	24,698	1,694
- transfer of accumulated exchange differences to profit or loss on disposals of subsidiaries	(506)	-
- transfer of accumulated exchange differences to profit or loss on disposal of associate	(875)	-
	28,649	2,107
Available-for-sale securities: net movement in the investment revaluation reserve	(365)	101
Cash flow hedges: net movement in the hedging reserve	(3,016)	-
	25,268	2,208
Total comprehensive income for the year	136,912	105,854
Attributable to:		
Equity shareholders of the Company	136,462	105,687
Non-controlling interests	450	167
Total comprehensive income for the year	136,912	105,854

CONSOLIDATED BALANCE SHEET
At 31 March 2011
(Expressed in Hong Kong dollars)

		2011		2010	
	<i>Note</i>	\$'000	\$'000	\$'000	\$'000
Non-current assets					
Fixed assets					
Investment properties		105,056		83,711	
Other property, plant and equipment		101,278		104,529	
Interest in leasehold land held for own-use under operating lease		<u>1,768</u>	<u>208,102</u>	<u>1,747</u>	189,987
Intangible assets			1,569		1,569
Goodwill			-		-
Interests in associates			203		-
Interests in jointly controlled entities			610,400		513,133
Prepayment for fixed assets			3,273		-
Other financial assets			7,854		5,820
Deferred tax assets			<u>17,974</u>		<u>17,301</u>
			849,375		727,810
Current assets					
Inventories		140,153		90,416	
Trade and other receivables	10	236,315		197,939	
Current tax recoverable		2,447		2,311	
Cash and cash equivalents		<u>137,086</u>		<u>184,770</u>	
		<u>516,001</u>		<u>475,436</u>	
Current liabilities					
Trade and other payables	11	205,481		164,821	
Current tax payable		<u>11,274</u>		<u>17,131</u>	
		<u>216,755</u>		<u>181,952</u>	
Net current assets			<u>299,246</u>		<u>293,484</u>
Total assets less current liabilities			1,148,621		1,021,294
Non-current liabilities					
Provision for long service payments		27,818		24,754	
Deferred tax liabilities		<u>30,968</u>	<u>58,786</u>	<u>26,788</u>	51,542
NET ASSETS			<u>1,089,835</u>		<u>969,752</u>
CAPITAL AND RESERVES					
Share capital			105,184		105,184
Reserves			<u>982,974</u>		<u>863,341</u>
Total equity attributable to equity shareholders of the Company			1,088,158		968,525
Non-controlling interests			<u>1,677</u>		<u>1,227</u>
TOTAL EQUITY			<u>1,089,835</u>		<u>969,752</u>

NOTES:

(Expressed in Hong Kong dollars)

1. BASIS OF PREPARATION

This announcement does not comprise the consolidated financial statements for the year ended 31 March 2011 but the information herein has been extracted from the draft consolidated financial statements of the Group for the year ended 31 March 2011.

The consolidated financial statements of the Group for the year ended 31 March 2011 have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. In addition, this announcement has been reviewed by the Company’s audit committee.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that investment properties, financial instruments classified as available-for-sale and derivative financial instruments held as cash flow hedging instruments are stated at their fair value.

The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 March 2011 have been compared by the Company’s auditors, KPMG, Certified Public Accountants, to the amounts set out in the Group’s draft financial statements for the year ended 31 March 2011 and the amounts were found to be in agreement. The work performed by KPMG in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditors on this announcement.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued two revised HKFRSs, a number of amendments to HKFRSs and two new Interpretations that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group’s financial statements:

- HKFRS 3 (revised 2008), *Business combinations*
- Amendments to HKAS 27, *Consolidated and separate financial statements*
- Amendments to HKFRS 5, *Non-current assets held for sale and discontinued operations - plan to sell the controlling interest in a subsidiary*
- Amendments to HKAS 39, *Financial instruments: Recognition and measurement – eligible hedged items*
- Improvements to HKFRSs (2009)
- HK(IFRIC) 17, *Distribution of non-cash assets to owners*

The Group has not applied any new standard or Interpretation that is not yet effective for the current accounting period.

The application of the amendments to HKAS 27 has affected the accounting for the Group’s disposal of part of its interest in Guangzhou Top Yield Garment Limited (“Top Yield”) in the current year. The change in policy has resulted in the recognition of a gain of \$2,212,000 relating to the re-measurement at fair value of the equity interest in Top Yield retained by the Group as an associate following the Group’s loss of control thereof.

The amendment to HKAS 39 has had no material impact on the Group’s financial statements as the amendment’s conclusion was consistent with policies already adopted by the Group. The other developments resulted in changes in accounting policy but none of these changes in policy have a material impact on the current or comparative periods, for the following reasons:

- The impact of the majority of the revisions to HKFRS 3, HKFRS 5 and HK(IFRIC) 17 have not yet had a material effect on the Group’s financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination or a non-cash distribution) and there is no requirement to restate the amounts recorded in respect of previous such transactions.
- The impact of the amendments to HKFRS 3 (in respect of recognition of acquiree’s deferred tax assets) and HKAS 27 (in respect of allocation of losses to non-controlling interests (previously known as “minority interests”) in excess of their equity interest) have had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets or losses arose in the current period.

- The amendment introduced by the *Improvements to HKFRSs (2009)* omnibus standard in respect of HKAS 17, *Leases*, resulted in a change of classification of leasehold land interests located in the Hong Kong Special Administrative Region (“the HKSAR”). This had no impact to the Group as the fair values of the Group’s leasehold interest in land and buildings situated in the HKSAR cannot be measured separately at the inception of the lease and the building is not clearly held under an operating lease. Accordingly, the land and buildings have already been accounted for as finance lease prior to the introduction of amendments to HKAS 17.

Further details of these changes in accounting policy are as follows:

- As a result of the adoption of HKFRS 3 (revised 2008), any business combination acquired on or after 1 April 2010 will be recognised in accordance with the new requirements and detailed guidance contained in HKFRS 3 (revised 2008). These include the following changes in accounting policies:
 - Transaction costs that the Group incurs in connection with a business combination, such as finder’s fees, legal fees, due diligence fees, and other professional and consulting fees, will be expensed as incurred, whereas previously they were accounted for as part of the cost of the business combination and therefore impacted the amount of goodwill recognised.
 - If the Group holds interests in the acquiree immediately prior to obtaining control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.
 - Contingent consideration will be measured at fair value at the acquisition date. Subsequent changes in the measurement of that contingent consideration unrelated to facts and circumstances that existed at the acquisition date will be recognised in profit or loss, whereas previously these changes were recognised as an adjustment to the cost of the business combination and therefore impacted the amount of goodwill recognised.
 - If the acquiree has accumulated tax losses or other temporary deductible differences and these fail to meet the recognition criteria for deferred tax assets at the date of acquisition, then any subsequent recognition of these assets will be recognised in profit or loss, rather than as an adjustment to goodwill as was previously the policy.
 - In addition to the Group’s existing policy of measuring the non-controlling interests (previously known as the “minority interests”) in the acquiree at the non-controlling interest’s proportionate share of the acquiree’s net identifiable assets, in future the Group may elect, on a transaction by transaction basis, to measure the non-controlling interest at fair value.

In accordance with the transitional provisions in HKFRS 3 (revised 2008), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. The new policy in respect of recognition in the movement of deferred tax assets will also be applied prospectively to accumulated tax losses and other temporary deductible differences acquired in previous business combinations. No adjustments have been made to the carrying values of assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this revised standard.

- As a result of the adoption of HKAS 27 (amended 2008), the following changes in policies will be applied as from 1 April 2010:
 - If the Group acquires an additional interest in a non-wholly owned subsidiary, the transaction will be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no goodwill will be recognised as a result of such transactions. Similarly, if the Group disposes of part of its interest in a subsidiary but still retains control, this transaction will also be accounted for as a transaction with equity shareholders in their capacity as owners and therefore no profit or loss will be recognised as a result of such transactions. Previously the Group treated such transactions as step-up transactions and partial disposals, respectively.
 - If the Group loses control of a subsidiary, the transaction will be accounted for as a disposal of the entire interest in that subsidiary, with any remaining interest retained by the Group being recognised at fair value as if reacquired. In addition, as a result of the adoption of the amendment to HKFRS 5, if at the balance sheet date the Group has the intention to dispose of a controlling interest in a subsidiary, the entire interest in that subsidiary will be classified as held for sale (assuming that the held for sale criteria in HKFRS 5 are met) irrespective of the extent to which the Group will retain an interest. Previously such transactions were treated as partial disposals.

In accordance with the transitional provisions in HKAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

- In order to be consistent with the above amendments to HKFRS 3 and HKAS 27, and as a result of amendments to HKAS 28, *Investments in associates*, and HKAS 31, *Interests in joint ventures*, the following policies will be applied as from 1 April 2010:

- If the Group holds interests in the acquiree immediately prior to obtaining significant influence or joint control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining significant influence or joint control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.
- If the Group loses significant influence or joint control, the transaction will be accounted for as a disposal of the entire interest in that investee, with any remaining interest being recognised at fair value as if reacquired. Previously such transactions were treated as partial disposals.

Consistent with the transitional provisions in HKFRS 3 and HKAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

3. TURNOVER

The principal activities of the Group are the manufacture and sale of garments and textiles, the provision of processing services and the rental of properties.

Turnover represents the invoiced value of goods supplied to customers, fee income from processing services and rental income and is analysed as follows:

	2011 \$'000	2010 \$'000
Manufacture and sale of garments	1,360,211	1,276,747
Manufacture and sale of textiles	31,524	17,031
Processing service income	20,254	10,997
Property rental income	<u>4,261</u>	<u>5,267</u>
	<u><u>1,416,250</u></u>	<u><u>1,310,042</u></u>

The Group's customer base is diversified and includes only two customers (2010: one) with whom transactions have exceeded 10% of the Group's turnover. For the year ended 31 March 2011, revenue from sales of garments to these customers, including sales to entities which are known to the Group to be under common control with these customers, amounted to approximately \$363,869,000 (2010: \$196,712,000).

4. SEGMENT REPORTING

The Group manages its business by divisions. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Manufacture and sale of garments and textiles: this segment operates the manufacture and sale of garment and textile products, and the provision of garment sub-contracting services.
- Interests in jointly controlled entities: the Group's jointly controlled entities engage in the manufacturing and sale of textile yarn products.
- Property leasing: this segment leases commercial and industrial premises to generate rental income.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Manufacture and sale of garments and textiles and property leasing segments

Segment assets include all assets with the exception of intangible assets, interests in associates, other financial assets, deferred tax assets, current tax recoverable and other corporate assets. Segment liabilities include all liabilities managed directly by the segments with the exception of current tax payable, deferred tax liabilities and other corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is “adjusted EBITDA” i.e. “adjusted earnings before interest, taxes, depreciation and amortisation”, where “interest” is regarded as including investment income and “depreciation and amortisation” is regarded as including impairment losses on non-current assets. To arrive at “adjusted EBITDA”, the Group’s earnings are further adjusted for items not specifically attributed to individual segments, such as share of profits less losses of associates, directors’ and auditors’ remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning revenue (including inter-segment sales), interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation, impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Interests in jointly controlled entities

The Group’s interests in jointly controlled entities are accounted for in the consolidated financial statements under the equity method, and presented as a separate reportable segment. The Group’s senior executive management reviews the post-tax results of the interests in jointly controlled entities, which is defined as the reportable segment profit for this particular segment. Reportable segment assets represent the Group’s share of net assets of the jointly controlled entities. Revenue of jointly controlled entities is not presented as reportable segment revenue as it is not reviewed by the Group’s senior executive management for resource allocation purposes.

(a) Segment results, assets and liabilities (continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 March 2011 and 2010 is set out below:

	Manufacture and sale of garments and textiles		Interests in jointly controlled entities		Property leasing		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	1,411,989	1,304,775	-	-	4,261	5,267	1,416,250	1,310,042
Inter-segment revenue	-	-	-	-	2,734	3,743	2,734	3,743
Reportable segment revenue	1,411,989	1,304,775	-	-	6,995	9,010	1,418,984	1,313,785
Reportable segment profit (adjusted EBITDA)	42,638	31,373	72,594	34,237	5,391	6,713	120,623	72,323
Interest income	861	1,041	-	-	-	-	861	1,041
Finance costs	(5,695)	(5,634)	-	-	-	-	(5,695)	(5,634)
Depreciation and amortisation	(18,198)	(24,565)	-	-	-	-	(18,198)	(24,565)
Impairment loss on fixed assets reversed/(recognised)	5,498	(21,014)	-	-	-	-	5,498	(21,014)
Reportable segment assets	619,558	578,415	610,400	513,133	105,056	83,711	1,335,014	1,175,259
Additions to non-current segment assets during the year	15,293	4,155	-	-	-	-	15,293	4,155
Reportable segment liabilities	231,474	185,774	-	-	-	206	231,474	185,980

(b) Reconciliation of reportable segment revenue, profit or loss, assets and liabilities

	2011	2010
	\$'000	\$'000
<i>Revenue</i>		
Reportable segment revenue	1,418,984	1,313,785
Elimination of inter-segment revenue	<u>(2,734)</u>	<u>(3,743)</u>
Consolidated turnover	<u><u>1,416,250</u></u>	<u><u>1,310,042</u></u>
	2011	2010
	\$'000	\$'000
<i>Profit</i>		
Reportable segment profit derived from Group's external customers (adjusted EBITDA)	120,623	72,323
Finance costs	(5,695)	(5,634)
Share of profits less losses of associates	484	1,306
Net gain on disposal of subsidiaries	1,808	-
Gain on disposal of an associate	293	-
Impairment losses on interest in associate and dividend receivable from associate reversed/(recognised)	7,914	(7,914)
Impairment loss on fixed assets reversed/(recognised)	5,498	(21,014)
Gain on disposals of land and buildings and investment properties	-	81,133
Net valuation gains on investment properties	20,298	20,915
Other revenue and net (loss)/income	4,149	15,768
Depreciation and amortisation	(18,198)	(24,565)
Unallocated head office and corporate expenses	<u>(7,759)</u>	<u>(8,586)</u>
Consolidated profit before taxation	<u><u>129,415</u></u>	<u><u>123,732</u></u>
	2011	2010
	\$'000	\$'000
<i>Assets</i>		
Reportable segment assets	1,335,014	1,175,259
Intangible assets	1,569	1,569
Interests in associates	203	-
Other financial assets	7,854	5,820
Deferred tax assets	17,974	17,301
Current tax recoverable	2,447	2,311
Unallocated head office and corporate assets	<u>315</u>	<u>986</u>
Consolidated total assets	<u><u>1,365,376</u></u>	<u><u>1,203,246</u></u>
	2011	2010
	\$'000	\$'000
<i>Liabilities</i>		
Reportable segment liabilities	231,474	185,980
Current tax payable	11,274	17,131
Deferred tax liabilities	30,968	26,788
Unallocated head office and corporate liabilities	<u>1,825</u>	<u>3,595</u>
Consolidated total liabilities	<u><u>275,541</u></u>	<u><u>233,494</u></u>

(c) **Geographic information**

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's fixed assets, intangible assets, goodwill, interests in associates and jointly controlled entities and prepayment for fixed assets ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of intangible assets and goodwill, and the location of operations, in the case of interests in associates and jointly controlled entities.

	Revenues from external customers		Specified non-current assets	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Hong Kong (place of domicile)	<u>99,241</u>	<u>119,540</u>	<u>111,651</u>	<u>94,346</u>
Europe				
- United Kingdom	327,677	296,514	-	-
- France	2,169	26,506	-	-
- Other European countries	499,511	425,194	-	-
Mainland China	168,836	187,692	709,265	608,775
North America	186,363	152,317	-	-
Others	132,453	102,279	2,631	1,568
	<u>1,317,009</u>	<u>1,190,502</u>	<u>711,896</u>	<u>610,343</u>
	<u>1,416,250</u>	<u>1,310,042</u>	<u>823,547</u>	<u>704,689</u>

5. **PROFIT BEFORE TAXATION**

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

	2011 \$'000	2010 \$'000
(a) Finance costs:		
Interest on bank loans wholly repayable within five years (including bank charges)	5,099	5,634
Other interest expense	596	-
	<u>5,695</u>	<u>5,634</u>
(b) Other items:		
Cost of inventories	1,197,870	1,096,120
Amortisation of land lease premium	63	70
Depreciation	18,135	24,495
Impairment loss on trade and other receivables (reversed)/recognised	(2,671)	3,022
Auditors' remuneration	1,670	1,644
Operating lease charges:		
minimum lease payments - property rentals	6,206	7,253
Rentals receivable from investment properties less direct outgoings of \$1,708,000 (2010: \$1,750,000)	<u>(2,553)</u>	<u>(3,517)</u>

6. **GAIN ON DISPOSALS OF LAND AND BUILDINGS AND INVESTMENT PROPERTIES**

On 9 September 2009, the Company entered into an agreement with a third party to dispose of land and buildings and investment properties with total area of approximately 12,440 square meters situated in Macau for a total consideration of \$120,000,000. A gain on disposal of \$81,133,000 was recognised in the consolidated income statement for the year ended 31 March 2010 in respect of this disposal.

7. INCOME TAX

Income tax in the consolidated income statement represents:

	2011 \$'000	2010 \$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	2,560	5,927
Over-provision in respect of prior years	<u>(62)</u>	<u>(2,645)</u>
	2,498	3,282
Current tax – Outside Hong Kong		
Provision for the year	11,296	14,830
Over-provision in respect of prior years	<u>(613)</u>	<u>(189)</u>
	10,683	14,641
Deferred tax		
Origination and reversal of temporary differences	<u>4,590</u>	<u>2,163</u>
	<u>17,771</u>	<u>20,086</u>

The provision for Hong Kong Profits Tax for 2011 is calculated at 16.5% (2010: 16.5%) of the estimated assessable profits for the year.

Taxation for subsidiaries outside Hong Kong are charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

Pursuant to the relevant laws and regulations of The People's Republic of China ("the PRC"), certain of the Group's PRC subsidiaries are eligible for the exemption from income tax for two years starting from the first profitable year of operation and thereafter, a 50 percent relief from their applicable tax rate for the following three years ("the tax holiday"). Pursuant to the notice on the Implementation Rules of the Grandfathering Relief under the New Tax Law, Guofa (2007) No.39 issued on 26 December 2007 by the State Council, one of the PRC subsidiaries enjoyed the tax holiday under the grandfathering provision of the New Tax Law with the reduced tax rate of 12.5% until December 2010. All other PRC subsidiaries are subject to an income tax rate of 25%.

8. DIVIDENDS

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

	2011 \$'000	2010 \$'000
Interim dividend declared and paid of \$0.02 (2010: \$0.01) per ordinary share	4,207	2,104
Final dividend proposed after the balance sheet date of \$0.10 (2010: \$0.06) per ordinary share	<u>21,037</u>	<u>12,622</u>
	<u>25,244</u>	<u>14,726</u>

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

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

	2011 \$'000	2010 \$'000
Final dividend in respect of the previous financial year, approved and paid during the year of \$0.06 (2010: \$0.09) per ordinary share	<u>12,622</u>	<u>18,933</u>

9. 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 \$111,111,000 (2010: \$103,479,000) and 210,369,000 (2010: 210,369,000) ordinary shares in issue during the year.

(b) Diluted earnings per share

The diluted earnings per share is the same as the basic earnings per share as there were no dilutive potential ordinary shares in existence during the years ended 31 March 2011 and 2010.

10. TRADE AND OTHER RECEIVABLES

	2011 \$'000	2010 \$'000
Trade debtors	99,451	101,936
Bills receivable	82,944	48,327
Less: Allowance for doubtful debts	<u>(6,284)</u>	<u>(8,955)</u>
	176,111	141,308
Loan receivable	55	667
Deposits, prepayments and other debtors	49,278	22,821
Amounts due from related companies	4,184	3,020
Amounts due from jointly controlled entities	1,413	1,351
Amount due from an associate	3,979	-
Dividend receivable from a jointly controlled entity	-	28,772
Dividend receivable from a former associate	<u>1,295</u>	<u>-</u>
	<u>236,315</u>	<u>197,939</u>

All of the Group's and the Company's trade and other receivables are expected to be recovered or recognised as an expense within one year.

The amounts due from related companies, jointly controlled entities and an associate are unsecured, interest-free and repayable on demand.

Included in trade and other receivables are trade debtors and bills receivable (net of allowance for doubtful debts) with the following ageing analysis as of the balance sheet date:

	2011 \$'000	2010 \$'000
Current	<u>132,186</u>	<u>115,949</u>
Less than 61 days past due	37,788	19,637
61 to 90 days past due	1,733	2,830
More than 90 days past due	<u>4,404</u>	<u>2,892</u>
Amounts past due	<u>43,925</u>	<u>25,359</u>
	<u>176,111</u>	<u>141,308</u>

Trade debtors and bills receivable are due between 30 to 120 days from the date of billing. Individual credit evaluations are performed on all customers requiring credit over a certain amount and for all new customers. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Normally, the Group does not obtain collateral from customers.

11. TRADE AND OTHER PAYABLES

	2011 \$'000	2010 \$'000
Trade creditors	105,058	88,695
Bills payable	<u>3,909</u>	<u>3,387</u>
	108,967	92,082
Accrued charges and other creditors	89,924	70,077
Amounts due to related companies	1,883	427
Amounts due to jointly controlled entities	-	96
Amount due to shareholder – Chan Family Investment Corporation Limited	842	2,139
Derivative financial instruments held as cash flow hedging instruments	<u>3,865</u>	<u>-</u>
	<u>205,481</u>	<u>164,821</u>

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

The amounts due to related companies, jointly controlled entities and shareholder are unsecured, interest-free and repayable on demand.

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

	2011	2010
	\$'000	\$'000
Current	77,246	65,987
Less than 61 days past due	27,975	21,078
61 to 90 days past due	650	3,488
More than 90 days past due	3,096	1,529
Amounts past due	31,721	26,095
	108,967	92,082

DIVIDENDS

The Board resolved to recommend the payment of a final dividend of 10 cents (2010: 6 cents) per share in respect of the year ended 31 March 2011 at the forthcoming Annual General Meeting of the Company to be held on 1 September 2011. The aggregate final dividend amounting to \$21,037,000 (2010: \$12,622,000), if approved by the shareholders, is expected to be paid on or around 19 September 2011.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining the entitlement of the shareholders to attend and vote at the forthcoming annual general meeting, the register of members of the Company will be closed from 26 August 2011 to 1 September 2011 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the right to attend and vote at the forthcoming annual general meeting, all transfers accompanied by the relevant share certificates 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 Thursday, 25 August 2011.

The register of members of the Company will also be closed from 7 September 2011 to 9 September 2011 (both days inclusive), during which period no transfer of shares will be effected for the purpose of ascertaining the entitlement of the shareholders to the proposed final dividend. In order to qualify for the final dividend payable on or around 19 September 2011 to be approved at the forthcoming annual general meeting, all transfers accompanied by the relevant share certificates 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 Tuesday, 6 September 2011.

BUSINESS REVIEW AND PROSPECTS

Turnover of the Group for the current year of 2010/11 increased slightly to \$1,416,250,000 (2009/10: \$1,310,042,000) and the overall net profit was \$111,644,000 (2009/10: \$103,646,000).

Net profit for the Group increased by about 8%, which was the combined effect of:-

1. Wuxi No.1 Cotton Investment Co., Ltd. and its subsidiaries (the "Wuxi Group") at Wuxi, the PRC, which we have a 49% interest, recorded significant profits of \$72,594,000 as compared to \$34,237,000 in 2009/10.
2. The reversal of impairment loss of our investment in Qinghai Changchun Carbon Co., Ltd. at Qinghai, the PRC, which was disposed of during the current year (this investment was impaired in 2009/10) as well as reversal of impairment loss on the fixed assets at our factories in China.
3. The gain on disposals of land and buildings and investment properties of \$81,133,000 in 2009/10.

Our garment business in general has been steadily improving after the financial crisis in 2008. There has been growth in garment sale business with some of our customers, especially for those high end fashion houses.

Garment manufacturing business in the PRC as with all other intensive labour industries there, faced another difficult year. All the adverse factors like ever rising manufacturing and operation costs, hike in raw material prices especially for raw cotton, shortage of sewing workers and the strong Renminbi etc. affected the profit margin of our manufacturing business. Through reduction of the operating costs, reorganisation of the whole manufacturing setup and close monitoring of every tier of operation, the results for the year under review improved.

Another manufacturing operation that we have – Lavender Garment Ltd. at Bangladesh had expanded its facility during the year and at the same time recorded a net profit better than the previous years. Lavender Garment Ltd. is a shirt factory and at the same time it acts as an agent to oversee all the production of our subcontracting factories in Bangladesh and liaise with our customers.

There was a significant return of profits from our investment in Wuxi No. 1 Cotton Investment Co., Ltd. at Wuxi, the PRC mainly due to the escalating raw cotton prices over the entire year that appreciated the raw cotton we had in stock as well as enabling us to raise yarn selling prices and increase our profit.

OUTLOOK

The coming year will be a stable and steady one for our garment sale business. As for our garment manufacturing business, it will continue to be a year of reformation for our factories in the PRC. All the problems confronting our garment manufacturing operations there have not slackened. Our management continues to strive hard to improve the performance of our operations there. To tackle the shortage of labour and the ever increasing remuneration there, we have already started moving part of the manufacturing business further inland into Guangxi province. To cope with the change of manufacturing pattern in Panyu, we have started to modify our operation structures like minimising our already reduced dyeing division. It is hoped that through all these measures, we could reinforce our manufacturing facilities and increase our production capacity thus bringing in more revenue for our garment sale business.

The exceptional good results of our investment in Wuxi this year will not happen in the coming year since the raw cotton prices have gone down. This will negatively affect the Group's overall profit.

GARMENT BUSINESS

We operate our textiles and garment business mainly under the names of Yangtzekiang Garment Limited and Hong Kong Knitters Limited. Our products include men's and women's shirts, trousers, shorts, polo shirts, t-shirts, jackets and knitted outerwear. The office in Hong Kong is the headquarters for our whole group where we concentrate on the roles of garment trading, sourcing, overall control of our own production facilities in the PRC and Bangladesh as well as to monitoring the subcontractors in the PRC, India, Bangladesh, Cambodia, Myanmar, Vietnam and Indonesia. We also have sales offices in the PRC at Panyu, Dongguan, Hangzhou and Shanghai that take care of our manufacturing needs and oversee our domestic sales in the regions.

Our two major wholly owned production facilities in the PRC are mainly located in Panyu. They are Exquisite Knitters (Guangzhou) Ltd. ("EQK") and Whampoa Garment Mfg. (Guangzhou) Co., Ltd. ("WGM"). Our setup is a vertical one from knitting, dyeing and finishing of fabrics to the manufacturing and wholesaling of garments. Both EQK and WGM are compliant factories manufacturing mainly high end garments. Another wholly owned factory which is still in its initial stage has been set up in Guigang, Guangxi in the PRC.

2010/11 continued to be a difficult year for our factories in the PRC. Besides all the adverse factors that confronted our operation like: rising operational expenses, increase of material and energy costs, shortage of sewing workers, and the continuous appreciation of Renminbi, raw cotton prices that went sky high rendered great instability to our business and eroded our profit margin. To tackle some of these factors, management decided to move part of our manufacturing facilities further inland into the PRC's Guangxi province. A factory at Guigang, Guangxi has been set up and will be in full production soon. Other measures like further minimising our dyeing division to cope with the change of operation pattern in Panyu, streamline our operations and cutting down our overhead expenses are all underway. Management hopes that with the new Guigang manufacturing facility running smoothly and all other measures taking effect, our garment production business will be able to boost our garment sale business and in a way contributing to the Group's profits.

Our shirt factory – Lavender Garment Limited in Bangladesh expanded its facilities and capacity last year. It recorded a profit that was better than last year. The factory will further expand its manufacturing facilities in the coming years to cope with the demand.

OTHER BUSINESS

Wuxi No. 1 Cotton Investment Co., Ltd. in which we have a 49% shareholding is our jointly controlled entity that owns several textiles related companies in Wuxi, the PRC namely: Wuxi YGM Textile Co., Ltd. and Wuxi Yangtzekiang Textile Co., Ltd.. The core business of the Wuxi Group is the production of medium range to high end yarns. The operation recorded a remarkable increase of profits mainly due to the escalating raw cotton prices that afforded a higher profit margin to the yarn prices. However we do not expect this favourable result will continue next year as raw cotton prices have subsided.

LIQUIDITY AND FINANCIAL POSITION

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

As at 31 March 2011, the cash and bank balances of the Group were approximately \$137,086,000 (2010: \$184,770,000). As at 31 March 2011 and 2010, the Group did not have any short term borrowings and long term borrowings.

The Group adopts a prudent policy to hedge the fluctuation of foreign exchange rates. As most of the Group's sales, purchases, cash and bank balances and bank borrowings are denominated in Hong Kong dollars, United States dollars, Euros, Pound Sterling or Renminbi, the Group may enter into forward foreign exchange contracts to hedge its receivables and payables denominated in the above foreign currencies against the exchange rate fluctuation when the exposure is significant. As at 31 March 2011, the Group has foreign exchange contracts hedging forecast transactions with a net fair value of \$3,865,000, recognised as derivative financial liabilities.

PLEDGE OF ASSETS

As at 31 March 2011, none of the assets of the Group was pledged.

EMPLOYMENT AND REMUNERATION POLICIES

As at 31 March 2011, the Group, including its subsidiaries but excluding its associates and jointly controlled entities, employed approximately of 4,500 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, provident fund scheme, medical insurance and training to staff.

SHARE OPTION SCHEME

On 23 September 2004, the Company adopted a share option scheme (the "Share Option Scheme") which will remain in force until 22 September 2014. Pursuant to the terms of the Share Option Scheme, the Company may grant options to directors and employees of the Group and other eligible participants to subscribe for shares in the Company, provided that the total number of shares in the Company which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company does not exceed 10% of the shares of the Company in issue at the date of adoption of the Share Option Scheme, which was 14,024,579 shares. On 19 September 2006, it was approved in the Annual General Meeting that the maximum number of options to be granted under the Share Option Scheme was increased to 21,036,868 shares, representing 10% of the total number of ordinary shares in issue on that day.

No options were granted under the Share Option Scheme during the year.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year ended 31 March 2011.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied throughout the year ended 31 March 2011 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of the Company's directors, all directors confirmed that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions.

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 consolidated financial statements of the Group of the year ended 31 March 2011.

ANNUAL GENERAL MEETING

The Annual General Meeting of the shareholders of the Company will be held on Thursday, 1 September 2011 and the Notice of Annual General Meeting will be published and dispatched to the shareholders in due course.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.ygm.com.hk under “Results Announcement”. The annual report for the year ended 31 March 2011 will be dispatched to the shareholders and published on the above websites in due course.

By Order of the Board
Yangtzekiang Garment Limited
Chan Sui Kau
Chairman

Hong Kong, 28 June 2011

As at the date of this announcement, the Board consists of eight executive directors, namely Dr. Chan Sui Kau, Mr. Chan Wing Fui, Peter, Mr. Chan Wing Kee, Mr. Chan Wing To, Madam Chan Suk Man, Mr. Chan Wing Sun, Samuel, Madam Chan Suk Ling, Shirley and Mr. So Ying Woon, Alan and three independent non-executive directors, namely Mr. Leung Hok Lim, Mr. Lin Keping and Mr. Sze Cho Cheung, Michael.