YANGTZEKIANG GARMENT MANUFACTURING COMPANY LIMITED
長江製衣廠有限公司

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

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST MARCH, 2005

The Board of Directors of Yangtzekiang Garment Mfg. Co., Ltd. (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries and associates (the "**Group**") for the year ended 31st March, 2005 as follows:

CONSOLIDATED INCOME STATEMENT
(Expressed in Hong Kong dollars)

	Notes	**2005** *HK$'000*	2004 *HK$'000*
Turnover	*2*	**1,665,835**	1,493,488
Cost of sales		**(1,329,117)**	(1,177,771)
		336,718	315,717
Other revenue		**8,286**	10,598
Other net income		**3,582**	26,609
Selling and distribution expenses		**(133,693)**	(121,609)
Administrative expenses		**(102,944)**	(120,081)
Other operating expenses		**(39,705)**	(40,701)
Profit from operations		**72,244**	70,533
Finance costs		**(31,800)**	(26,206)
		40,444	44,327
Share of profits less losses of associates		**2,028**	49,466
Profit from ordinary activities before taxation	*3*	**42,472**	93,793
Income tax	*4*	**(3,480)**	(20,323)
Profit from ordinary activities after taxation		**38,992**	73,470
Minority interests		**(3,976)**	(4,385)
Profit attributable to shareholders		**35,016**	69,085
Dividends attributable to the year:	*5*		
Interim dividend declared during the year		**4,207**	1,402
Final dividend proposed after the balance sheet date		**16,829**	12,622
		21,036	14,024
Earnings per share			
Basic (2004: restated)	*6*	**HK$0.20**	HK$0.48

NOTES:

1. **Recently issued accounting 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 (collectively, "**new HKFRSs**") which are effective for accounting periods beginning on or after 1st January, 2005.

The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st March, 2005.

The Group has made a preliminary assessment of the impact of these new HKFRSs and has so far concluded that the adoption of the Hong Kong Financial Reporting Standard ("**HKFRS**") 3 "Business combinations", Hong Kong Accounting Standard ("**HKAS**") 40 "Investment properties" and HKFRS 2 "Share-based payment" will have a significant impact on its consolidated financial statements as set out below:

(a) At present, the Group has recognised positive goodwill arising on acquisitions of controlled subsidiaries and associates after 1st April, 2001 in the balance sheet as assets. Such goodwill is amortised to the consolidated income statement on a straight-line basis over its estimated useful life which may not exceed 20 years. Positive goodwill arising on acquisitions prior to 1st April, 2001 was charged to reserves in the period in which it arose and has not been restated. Under the transitional arrangements of HKFRS 3, the Group will discontinue amortising the positive goodwill classified as assets as at 1st April, 2005 and eliminate the carrying amount of the related accumulated amortisation with a corresponding decrease in positive goodwill. Positive goodwill will then be subject to an annual impairment test in accordance with HKAS 36 "Impairment of assets". If the Group had adopted HKFRS 3 for the current year, the Group's profit attributable to shareholders for the year ended 31st March, 2005 and the Group's net assets at 31st March, 2005 would have been increased by HK$6,522,000.

In addition, the Group has recognised negative goodwill arising on acquisitions of controlled subsidiaries and associates in prior years. Such negative goodwill is amortised to the consolidated income statement on a proportional basis, when the relevant assets acquired are sold or otherwise realised. HKFRS 3 requires negative goodwill to be recognised in the consolidated income statement immediately. Under the transitional arrangements of HKFRS 3, the existing negative goodwill recognised in the balance sheet will be derecognised by way of an adjustment to retained earnings at 1st April, 2005. If the Group had adopted HKFRS 3 for the current year, the Group's profit attributable to shareholders for the year ended 31st March, 2005 would have been decreased by HK$10,522,000 and the Group's net assets as at 31st March, 2005 would have been increased by approximately HK$44,703,000 respectively.

(b) At present, surpluses or deficits arising on the annual revaluation of the Group's and its associates' investment properties to open market value at the balance sheet date are dealt with in the investment properties revaluation reserves or in the income statement if the total of those reserves is insufficient to cover a deficit on a portfolio basis. Following the adoption of the new HKAS 40, the investment properties of the Group and its associates will continue to be stated at open market value and all surpluses or deficits arising from the revaluation of the investment properties will be reported in the consolidated income statement. The new HKAS 40 requires the provision of deferred tax on revaluation surpluses or deficits calculated at applicable profits tax rates in accordance with the guidance in HKAS Interpretation 21 "Income taxes – recovery of revalued non-depreciable assets". If HKAS 40 had been adopted for the current year, the Group's profit attributable to shareholders for the year ended 31st March, 2005 would have been increased by HK$3,580,000, being the total of the net revaluation surpluses arising on the Group's investment properties of HK$6,180,000 which has been dealt with in the investment properties revaluation reserves less deferred tax of HK$2,438,000 and the Group's share of the associates' net revaluation surpluses (net of deferred tax) of $162,000. Furthermore, recognition of deferred tax on the Group's cumulative properties revaluation surpluses would also be required which would have reduced the Group's net assets as at 31st March, 2005.

HKAS 40 is required to be adopted retrospectively. Consequently upon adoption for the year ending 31st March, 2006, comparative figures will be restated such that revaluation surpluses (net of deferred tax) at 1st April, 2004 and 1st April, 2005 of HK$30,793,000 and HK$34,373,000, respectively, will be dealt with in retained earnings and additional deferred tax liabilities will be created.

(c) At present, when the Group grants employees options to acquire shares in the Company at nominal consideration, no employee benefit cost or obligation is recognised at the date of grant. When options are exercised, equity is increased by the amount of the proceeds received.

In accordance with the requirements of HKFRS 2, for the year beginning 1st April, 2005, an expense, equivalent to the fair value of the option, is required to be recognised in the consolidated income statement where the Group obtains services in exchange for share-based consideration. The expense would be charged to the expense category to which the respective individual relates and a corresponding entry would be made to a capital reserve.

When the options are exercised, the amounts recorded in the capital reserve in respect of the share option, to the extent of the nominal value of the shares issued on exercise of the option, would be transferred to share capital and the balance to the share premium account.

Accordingly, the principal impact of HKFRS 2 on the Group depends on the fair value of the options, usually at the date of grant. The Group granted no options during the year ended 31st March, 2005. Accordingly, there will be no retrospective effect upon adoption of HKFRS 2.

The Group is continuing its assessment of the impact of the new HKFRSs and other significant changes may be identified as a result of this assessment.

2. 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.

(i) Business segments

The Group mainly participates in two principal operations classified by the following business segments:

(a) Manufacture and sales of garments; and

(b) Manufacture and sales of textiles.

	Manufacture & sales of garments *HK$'000*	Manufacture & sales of textiles *HK$'000*	Other *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Year ended 31st March, 2005					
Revenue from external customers	1,397,110	263,189	5,536	–	1,665,835
Other revenue	4,396	19	804	3,067	8,286
Total revenue	1,401,506	263,208	6,340	3,067	1,674,121
Segment result	30,683	36,461	2,033	3,067	72,244
Finance costs	(12,063)	(19,737)	–	–	(31,800)
Share of profits less (losses) of associates	1,096	3,039	(2,107)	–	2,028
Income tax					(3,480)
Minority interests					(3,976)
Profit attributable to shareholders					35,016
Depreciation and amortisation for the year	33,325	24,327	783		58,435
Year ended 31st March, 2004					
Revenue from external customers	1,321,610	167,711	4,167	–	1,493,488
Other revenue	5,865	–	1,486	3,247	10,598
Total revenue	1,327,475	167,711	5,653	3,247	1,504,086
Segment result	42,006	22,795	2,485	3,247	70,533
Finance costs	(13,694)	(12,512)	–	–	(26,206)
Share of profits less (losses) of associates	(4,538)	30,630	23,374		49,466
Income tax					(20,323)
Minority interests					(4,385)
Profit attributable to shareholders					69,085
Depreciation and amortisation for the year	35,203	23,406	1,710		60,319

(ii) Geographical segments

	2005 ***HK$'000***	2004 *HK$'000*
Revenue from external customers by the geographical location of customers		
– Europe		
France	**244,358**	284,614
United Kingdom	**186,242**	151,784
Other European countries	**316,402**	308,272
– North America	**398,056**	405,684
– Asia Pacific	**502,980**	336,978
– Others	**17,797**	6,156
	1,665,835	1,493,488

3. Profit from ordinary activities before taxation

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

	2005 ***HK$'000***	2004 *HK$'000*
Finance costs	**31,800**	26,206
Amortisation of positive goodwill	**6,522**	3,852
Amortisation of negative goodwill	**(2,051)**	(1,772)
Amortisation of negative goodwill included in share of profits less losses of associates	**(8,471)**	(8,471)
Amortisation of intangible assets	**1,851**	1,753
Cost of inventories	**1,329,117**	1,177,771
Depreciation	**52,113**	56,486
Dividend income from unlisted equity securities	**(364)**	(388)
Loss/(gain) on disposal of fixed assets	**6,228**	(792)
Gain on disposal of subsidiaries	**–**	(672)
Loss on deconsolidation of subsidiaries in liquidation	**5,654**	–
Tax refund upon reinvestment of dividend income from an associate and a subsidiary	**(2,034)**	(2,595)

4. **Income tax**

Income tax in the consolidated income statement represents:

	2005	2004
	HK$'000	*HK$'000*
Current tax – Provision for Hong Kong Profits Tax		
Tax for the year	**8,449**	9,152
Over-provision in respect of the prior years	**(1,290)**	(1,394)
	7,159	7,758
Current tax – Overseas		
Tax for the year	**–**	2,397
Over-provision in respect of the prior years	**(24)**	(782)
	(24)	1,615
Deferred tax		
Origination and reversal of temporary differences	**(5,555)**	(405)
Effect of increase in tax rate on deferred tax balances at 1st April	**–**	209
	(5,555)	(196)
Share of associates' taxation	**1,900**	11,146
	3,480	20,323

The provision for Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) of the estimated assessable profits for the year ended 31st March, 2005. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

5. **Dividends**

	2005	2004
	HK$'000	*HK$'000*
Interim dividend declared and paid of HK$0.02 (2004: HK$0.01) per share	**4,207**	1,402
Final dividend proposed after the balance sheet date of HK$0.08 (2004: HK$0.09) per share	**16,829**	12,622
	21,036	14,024

6. **Earnings per share**

   (a) Basic earnings per share

   The calculation of basic earnings per share is based on the profit attributable to the shareholders of HK$35,016,000 (2004: HK$69,085,000) and on the weighted average of 175,326,452 shares (2004: 143,050,708 shares after adjusting for the rights issue in 2005) in issue during the year.

   (b) Diluted earnings per share

   The amount of diluted earnings per share is not presented as there were no dilutive potential ordinary shares in existence during the years ended 31st March, 2004 and 2005.

7. **Contingent liabilities**

   At 31st March, 2005, bills discounted with banks amounting to approximately HK$144,863,000 (2004: HK$139,925,000) for the Group.

8. **Post balance sheet event**

   Subsequent to year end, a capital contribution of HK$65,500,000 was paid in respect of the establishment of a subsidiary in the People's Republic of China, Wuxi Yangtzekiang Textile Co., Ltd ("Wuxi Yangtzekiang Textile"). Wuxi Yangtzekiang Textile will be engaged in the manufacture and sale of textile products and has registered capital of US$12,000,000 (equivalent to approximately HK$93,600,000). The capital contribution made by the Group represented the Group's 70% equity interest in this subsidiary.

DIVIDEND

The Board resolved to recommend the payment of a final dividend of HK8 cents (2004: HK9 cents) per share for the year ended 31st March, 2005 at the forthcoming annual general meeting of the Company to be held on 22nd September, 2005. The aggregate final dividend amount to HK$16,829,000 (2004: HK$12,622,000), if approved by the shareholders, is expected to be paid on or around 26th September, 2005. The register of members of the Company will be closed from 14th September, 2005 to 22nd September, 2005 (both days inclusive). In order to qualify for the proposed final 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 4:00 p.m. on Tuesday, 13th September, 2005.

BUSINESS REVIEW AND PROSPECTS

Despite of a decrease in overall profit, our core business of garment trading in both woven and knits has achieved better results than last year both in terms of revenue and profit. Our garment manufacturing plants in China also enjoyed a better year. Our problem in the garment division remains still with the overseas factories in Cambodia, Sri Lanka and Lesotho. Four main factors negatively impacted our results:–

1. As reported in our interim report, Qinghai Changqing Aluminium Corporation – an aluminium smelter in Qinghai China continued to suffer losses during the current year due to high material and energy costs. This is compared with a good profit the year before.

2. We have ceased operation in our Lesotho factory because we no longer see any potential in profitability there due to high costs, low efficiency and a drop in sale prices.
3. Yangtzekiang S.A. – a garment import company in France suffered a loss this year as compared with last year due to poor economic conditions and severe price competition.
4. Although results from Wuxi Changxin Textile Co., Ltd. remain positive during the current year, its profit has decreased significantly as compared with the previous year due to high cost of raw cotton, the major raw material.

OUTLOOK

Although the U.S. and E.U. re-introduced quota for China garment exports in the middle of 2005, selling prices continue to drop due to severe competition from other non-quota countries such as Bangladesh and India, etc. As a result, we expect profits from our garment trading and manufacturing divisions in both woven and knits to decrease slightly in the coming year. Our factories in Cambodia and Sri Lanka will continue to incur losses. The same negative conditions for our aluminium investment in China will persist and, therefore, further losses are expected.

On the brighter side, we expect great improvement from our textile investment in Wuxi: Wuxi Changxin Textile Co., Ltd. and Wuxi YGM Textile Co., Ltd. because the high cost raw cotton inventory that has decreased our profit margin this year has finally been exhausted. Both revenue and profit for the two textile investments are expected to increase.

GARMENT BUSINESS

We operate our woven clothing business under the name of Yangtzekiang Garment Mfg. Co., Ltd. and knitted business under the name of Hong Kong Knitters Ltd. Our products include men's and women's shirts, trousers, shorts, polo shirts, t-shirts and fleeces. Our head office in Hong Kong is the sales and management office for the whole Group. In Hong Kong, we concentrate on the role of garment trading as well as all the sales and overall control of our production facilities in China, Sri Lanka and Cambodia. The Hong Kong office also oversees business with many factories that we have agreements with in China, Bangladesh, Myanmar and Vietnam.

Exquisite Knitters (Guangzhou) Ltd. in Panyu, China operates a vertical setup factory from knitting, dyeing and finishing of fabrics to the manufacturing of garments – mainly high quality mercerized knitted polo shirts.

Whampoa Garment Mfg. (Guangzhou) Co., Ltd. also in Panyu, China was set up in November 2002 mainly for the manufacture of high quality men's and ladies woven shirts to non-quota markets. We have subsequently also added production of knits. In addition to shipping to non-quota markets, we plan to use part of this factory to produce for the U.S. and E.U. markets depending on the quantity of quota allocated after the re-introduction in the middle of 2005.

Bangladesh remains an important area for us in woven shirts production. We have over a dozen factories that we have production agreements with. We have over 30 staff in our Bangladesh office overseeing all production and our products are mainly for the European market. The re-introduction of quota on China in the middle of 2005 has revived the importance of this operation.

Our operations in both Cambodia and Sri Lanka continued to suffer losses. It has always been our main concern that overseas factories are the most difficult to operate when selling prices continue to fall. Manufacturing costs are higher in these two countries than many places such as Bangladesh and India and yet efficiencies are lower. However these factories, which are 100% owned by our Company, manufacture for a top customer list mainly in the U.S.A. and have over the years contributed to our garment sales department in Hong Kong to expand its business with good income.

As stated in Business Review and Prospects, we closed down our factory in Lesotho, Africa in the current year. Lesotho's garment manufacturing could survive mainly because of its quota free and duty free access into the U.S. After 2005, cost and efficiency in Lesotho cannot face up to the competition created by a quota free environment. The drastic appreciation of the South African Rand which is pegged with the current high gold price also makes costing from this country more uncompetitive.

OTHER BUSINESS

The two spinning and weaving mills we have in Wuxi, China: Wuxi Changxin Textile Co., Ltd. (we own 33%) and Wuxi YGM Textiles Co., Ltd. (we own 70%) remain profitable. However Wuxi Changxin Textile Co., Ltd.'s profits had decreased significantly as compared with last year. This was mainly due to the high cost raw cotton purchased earlier when cotton prices were very high. This situation will improve in the coming year as we have by and large used up this high cost inventory. Wuxi YGM Textiles Co., Ltd.'s profit had increased in the current year because it was operating one full year while last year it only operated for half a year, and we expect further improvement in this investment in the coming year.

Qinghai Changqing Aluminium Corporation in Qinghai, China – an aluminium smelter this year suffered losses for the first time since our investment due to high materials and energy costs. Unfortunately this situation will persist during the coming year.

We announced our participation in a joint venture for the development of a power plant in Qinghai in July, 2004. The commercial operation and production of the first and the second power generation units of the power plant originally scheduled for end of 2005 and end of 2006 respectively would have to be postponed due to the delay in the governmental approval procedures, which we expect will be completed in 2006.

The newly added electrical razor production in W. Haking Enterprises Ltd. has not been able to produce a profit in the current year.

Yangtzekiang S.A. suffered a year of loss as compared to previous years' profits. The company was operating in a depressed economic condition in France and in addition there was keen price competition especially from cheap imports from China earlier this year. The underwear brand JIL that we acquired about two years ago continued to suffer losses caused by lower than expected sales and the pay out of indemnity expenses for laying off a good number of employees. We expect to reduce the loss in the coming year but conditions in France remain difficult.

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 31st March, 2005, the cash and bank balances of the Group were approximately HK$103 million (2004: HK$63 million). As at 31st March, 2005, the bank borrowings of the Group were approximately HK$452 million (2004: HK$588 million), of which approximately HK$238 million (2004: HK$313 million) was short term while approximately HK$214 million (2004: HK$275 million) was long term. The gearing ratio (calculated by dividing total bank borrowings net of cash and bank balances by shareholders' equity) of the Group as at 31st March, 2005 was 62% (as at 31st March, 2004: 127%). The bank borrowings including bank loans and overdrafts are mainly in Hong Kong dollars, United States dollars and Reminbi.

To strengthen the Group's financial position, on 12th October, 2004, the Group has successfully raised funds of approximately HK$126 million by way of rights issue on the basis of one rights share for every two existing shares held by qualifying shareholders. The net proceeds of the rights issue have been or will be applied in repayment of part of the Group's bank loans, for possible expansion of textile business and for general working capital purposes.

The Group adopts a prudent policy to hedge the fluctuation of exchange rates. Most of the operating activities are denominated in Hong Kong dollars or United States dollars. For those denominated in other currencies, the Group may enter into forward contracts to hedge its receivable and payable denominated in foreign currencies against the exchange rate fluctuations.

PLEDGE OF ASSETS

As at 31st March, 2005, the Group had pledged certain assets with carrying values of HK$339 million (2004: HK$279 million) mainly for security of banking facilities granted to the Group.

EMPLOYMENT AND REMUNERATION POLICIES

As at 31st March, 2005, the Group, including its subsidiaries but excluding associates, employed approximately of 7,600 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, provident fund scheme, medical insurance and training to staff.

SHARE OPTION SCHEME

On 23rd September, 2004, the Company adopted a share option scheme (the " Share Option Scheme") which will remain in force until 22nd 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. 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 listed securities during the year ended 31st March, 2005.

PROPOSED COMPANY NAME CHANGE

The Directors proposed to recommend to shareholders for approval at the forthcoming annual general meeting of the Company that the name of the Company be changed to "Yangtzekiang Garment Limited 長江製衣有限公司". Further particulars of the proposed Company name change will be set out in a circular to be despatched to shareholders in due course.

PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION

The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") has revised the Rules (the "**Listing Rules**") Governing the Listing of Securities on the Stock Exchange concerning various corporate governance issues. Among other code provisions of the code on corporate governance practices set out in Appendix 14 to the Listing Rules, it is required that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

To align the articles of association of the Company with the latest amendments to the Listing Rules, the Board considers that the articles of association of the Company should be amended in line with the changes required under the revised Listing Rules and an amendment to the articles of association of the Company will be proposed at the forthcoming annual general meeting of the Company. Further particulars of the proposed amendment to the articles of association of the Company will be set out in a circular to be despatched to shareholders in due course.

CORPORATE GOVERNANCE

The Company has complied with the Code of Best Practice, as set out in Appendix 14 to the Listing Rules throughout the year, except that the non-executive directors of the Company were not appointed for a specific term but are subject to rotation in annual general meeting of the Company pursuant to Articles 95 and 104 of the Company's Articles of Association.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as its code of conduct regarding the directors' securities transactions. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in Appendix 10 to the Listing Rules throughout the year.

AUDIT COMMITTEE

To comply with the revised Code of Best Practice as set in Appendix 14 to the Listing Rules of The Stock Exchange of Hong Kong Limited, the Company set up an audit committee (the "Committee") with written terms of reference, for the purpose of reviewing and providing supervision on the financial reporting process and internal control of the Group. The Committee comprises three independent non-executive Directors.

PUBLICATION OF RESULTS ON THE STOCK EXCHANGE'S WEBSITE

A detailed result announcement containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange in due course.

By Order of the Board
Chan Sui Kau
Chairman

Hong Kong, 15th July, 2005

As at the date hereof, the board of Directors comprised eight executive Directors, namely Mr. Chan Sui Kau, Mr. Chan Wing Fui Peter, Mr. Chan Wing Kee, Mr. Chan Wing To, Mr. Chan Wing Sun Samuel, Mr. Chan Wing Chak David and Ms. Chan Suk Man and Ms. Chan Suk Ling Shirley; one Non-executive Director, namely Mr. Yeung Wing Tak and three Independent Non-executive Directors, namely Mr. Leung Hok Lim, Mr. Wong Lam and Mr. Lin Keping.

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