



Investment Service Centre

Listed Companies Information

YANGTZEKIANG<00294> - Results Announcement

Yangtzekiang Garment Limited announced on 21/07/2006:

(stock code: 00294 )

Year end date: 31/03/2006

Currency: HKD

Auditors' Report: Unqualified

	(Audited ) Current Period from 01/04/2005 to 31/03/2006 Note (\$ )	(Audited ) Last Corresponding Period from 01/04/2004 to 31/03/2005 (\$ )
Turnover	: 1,600,981,000	1,665,835,000
Profit/(Loss) from Operations	: 65,278,000	73,188,000
Finance cost	: (40,848,000)	(31,800,000)
Share of Profit/(Loss) of Associates	: 3,474,000	(33,000)
Share of Profit/(Loss) of Jointly Controlled Entities	: 40,619,000	0
Profit/(Loss) after Tax & MI	: 25,275,000	39,195,000
% Change over Last Period	: -35.51 %	
EPS/(LPS)-Basic (in dollars)	: 0.12	0.22
-Diluted (in dollars)	: N/A	N/A
Extraordinary (ETD) Gain/(Loss)	: N/A	N/A
Profit/(Loss) after ETD Items	: 25,275,000	39,195,000
Final Dividend per Share	: 8 cents	8 cents
(Specify if with other options)	: N/A	N/A

B/C Dates for

Final Dividend : 11/09/2006 to 19/09/2006 bdi.

Payable Date : 20/09/2006

B/C Dates for (-)

General Meeting : N/A

Other Distribution for : N/A

Current Period

B/C Dates for Other

Distribution : N/A

Remarks:

#### 1. BASIS OF PREPARATION

The financial information in this announcement has been prepared in accordance with all applicable Hong Kong Financial Reporting Standard ("HKFRS") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") 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.

This announcement also complies with the applicable disclosure of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited. In addition, this announcement has been reviewed by the Company's Audit Committee.

The figures in respect of this announcement of the Group's audited results for the year ended 31st March, 2006 has been compared by the Company's auditors, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in respect of this announcement 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

### (a) Recently issued accounting standards

The HKICPA has issued a number of new and revised HKFRSs that are effective for accounting period beginning on or after 1st April, 2005.

The Board of Directors has determined the accounting policies to be adopted in the preparation of the Group's annual financial statements for the year ended 31st March, 2006, on the basis of HKFRSs currently in issue.

#### (i) Amortisation of positive and negative goodwill (HKFRS 3, Business combinations and HKAS 36, Impairment of assets)

In prior years:

- positive or negative goodwill which arose prior to 1st January, 2001 was taken directly to reserves at the time it arose, and was not recognised in the income statement until disposal or impairment of the acquired business;

- positive goodwill which arose on or after 1st January, 2001 was amortised on a straight-line basis over its useful life and was subject to impairment testing when there were indications of impairment; and

- negative goodwill which arose on or after 1st January, 2001 was amortised over the weighted average useful life of the depreciable/amortisable non-monetary assets acquired, except to the extent it related to identified expected future losses as at the date of acquisition. In such cases it was recognised in the income statement as those expected losses were incurred.

With effect from 1st April, 2005, in order to comply with HKFRS 3 and HKAS 36, the Group has changed its accounting policies relating to goodwill.

Under the new policy, the Group no longer amortises positive goodwill but tests it at least annually for impairment. Also with effect from 1st April, 2005 and in accordance with HKFRS 3, if the fair value of the net assets acquired in a business combination exceeds the consideration paid

(i.e. an amount arises which would have been known as negative goodwill under the previous accounting policy), the excess is recognised immediately in the income statement as it arises.

The new policy in respect of the amortisation of positive goodwill has been applied prospectively in accordance with the transitional arrangements under HKFRS 3. The change in accounting policy relating to negative goodwill was adopted by way of an opening balance adjustment to retained profits as at 1st April, 2005.

Also in accordance with the transitional arrangements under HKFRS 3, goodwill which had previously been taken directly to reserve (i.e. goodwill which arose before 1st January, 2001) will not be recognised in the income statement on disposal or impairment of the acquired business, or under any other circumstances.

(ii) Changes in presentation (HKAS 1, Presentation of financial statements and HKAS 27, Consolidated and separate financial statements)

- Presentation of shares of associates' taxation (HKAS 1, Presentation of financial statements)

In prior years, the Group's share of taxation of associates accounted for using the equity method was included as part of the Group's income tax in the consolidated income statement. With effect from 1st April, 2005, in accordance with the implementation guidance in HKAS 1, the Group has changed the presentation and includes the share of taxation of associates accounted for using the equity method in the respective shares of profit or loss reported in the consolidated income statement before arriving at the Group's profit or loss before tax.

- Minority interests (HKAS 1, Presentation of financial statements)

In prior years, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and as deduction from net assets. Minority interests in the results of the Group for the year were also separately presented in the consolidated income statement as a deduction before arriving at the profit

attributable to shareholders (the equity shareholders of the Company).

With effect from 1st April, 2005, in order to comply with HKAS 1 and HKAS 27, has changed its accounting policy relating to the presentation of minority interests. Under the new policy, minority interests are presented as part of equity, separately from interests attributable to equity shareholders of the Company.

(iii) Leasehold land and buildings held for own use (HKAS 17, Leases)

In prior years, leasehold land and buildings held for own use were stated at cost/valuation less accumulated depreciation and accumulated impairment losses.

With effect from 1st April, 2005, in order to comply with HKAS 17, the Group has adopted a new policy for leasehold land and buildings held for own use. Under the new policy, the leasehold interest in the land held for own use is accounted for as being held under an operating lease where the fair value of the interest in any buildings situated on the leasehold land could be measured separately from the fair value of the leasehold interest in the land at the time the lease was first entered into by the Group, or taken over from the previous lessee, or at the date of construction of those buildings, if later.

Any buildings held for own use which are situated on such land leases continue to be presented as part of property, plant and equipment. However, as from 1st April, 2005 the buildings are also stated at cost less accumulated depreciation, rather than at fair value, to be consistent with the new policy required to be adopted for the land element.

The above new accounting policies relating to leases have been adopted retrospectively.

(iv) Financial instruments (HKAS 32, Financial instruments: Disclosure and presentation and HKAS 39, Financial instruments: Recognition and measurement)

- Derivative financial instruments

In prior years, derivative financial instruments entered into by management to hedge the interest rate risk of a recognised asset or liability or the foreign currency risk of a committed future transaction were recognised on an accruals basis with reference to the timing of recognition of the hedged transaction.

With effect from 1st April, 2005, and in accordance with HKAS 39, all derivative financial instruments entered into by the Group are stated at fair value. Changes in the fair value of derivatives held as hedging instruments in a cash flow hedge are recognised in equity to the extent that the hedge is effective and until the hedged transaction occurs. Any other changes in fair value of the derivatives are recognised in the income statement.

The Group entered into interest rate swaps to reduce risk of changes in market interest rates during the year. The Group's interest rate swaps can not fulfill the criteria for hedging accounting because the hedge relationship was not documented at the inception of the hedge. Accordingly, the gain on remeasurement to fair value of \$2,933,000 has been charged to the income statement.

- Discounting of bills receivable

In prior years, bills receivable discounted with banks were derecognised from the balance sheet and disclosed as contingent liabilities.

With effect from 1 April 2005, and in accordance with HKAS 32 and HKAS 39, bills discounted with banks with recourse totalling \$125,531,000 as at 31st March 2006 have been recognised in the balance sheet, and the related bills receivable and advances from banks have been reported under "bills receivable" and "secured bank loans" respectively. The comparatives have not been restated. The discounted bills as at 31st March, 2005 totalling \$144,863,000 were not recognised in the balance sheet and are disclosed as contingent liabilities.

(v) Investment properties (HKAS 40, Investment property, and HK(SIC) Interpretation 21, Income taxes - Recovery of revalued non-depreciable

assets)

Changes in accounting policies relating to investment properties are as follows:

- Definition of an investment property in the Company's financial statements

In prior years, property that was leased to, and occupied by group companies was not considered to be an investment property for the purposes of the Company's financial statements. With effect from 1st April, 2005, in order to comply with HKAS 40, property that is leased to, and occupied by group companies is an investment property for the purposes of the Company's financial statements.

- Timing of recognition of movements in fair value in the consolidated income statement

In prior years movements in the fair value of the Group's investment properties were recognised directly in the investment properties revaluation reserve except when, on a portfolio basis, the reserve was insufficient to cover a deficit on the portfolio, or when a deficit previously recognised in the income statement had reversed, or when an individual investment property was disposed of. In these limited circumstances, movements in the fair value were recognised in the income statement.

Upon adoption of HKAS 40 as from 1st April, 2005, the Group and the Company has adopted a new policy for investment properties. Under this new policy, all changes in the fair value of investment property are recognised directly in the income statement in accordance with the fair value model in HKAS 40.

- Measurement of deferred tax on movements in fair value

In prior years, the Group was required to apply the tax rate that would be applicable to the sale of investment properties to determine whether any amounts of deferred tax should be recognised on revaluation of

investment properties. Consequently, deferred tax was only provided to the extent that tax allowances already given would be clawed back if the property were disposed of at its carrying value, as there would be no additional tax payable on disposal.

As from 1st April, 2005, in accordance with HK(SIC) Interpretation 21, the Group recognises deferred tax on movements in the value of an investment property using tax rates that are applicable to the property's use, if the Group has no intention to sell it and the property would have been depreciable had the Group not adopted the fair value model.

- Description of transitional provisions and effect of adjustments

All the above changes in accounting policies relating to investment properties have been adopted retrospectively.

(vi) Definition of related parties (HKAS 24, Related party disclosures)

As a result of the adoption of HKAS 24, the definition of related parties has been expanded to clarify that related parties include entities that are under the significant influence of a related party that is an individual (i.e. key management personnel, significant shareholders and/or their close family members) and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group. The clarification of the definition of related parties has not resulted in any material changes to the previously reported disclosures of related party transactions nor has it had any material effect on the disclosures made in the current period, as compared to those that would have been reported had SSAP 20, Related party disclosures, still been in effect.

(b) Restatement of prior periods and opening balances

The following tables disclose the adjustments that have been made in accordance with the transitional provisions of the respective HKFRSs to each of the line items in the consolidated income statement and balance sheet and other significant related disclosure items as previously reported for the year ended 31st March, 2005.



Effect on Consolidated Income Statement for the year ended 31st March,  
2005

2005 (as previously reported)	Effect of new policy (increase / (decrease) in profit for the year)				2005 (as restated)
	HKAS 1 (note 2(d))	HKAS 17 (note 2(e))	HKAS 40 (note 2(g))	Subtotal	
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Turnover					
1,665,835	-	-	-	-	1,665,835
Cost of sales					
(1,329,117)	-	-	-	-	(1,329,117)
-----					
Gross profit					
336,718	-	-	-	-	336,718
Administrative expenses					
(102,944)	-	944	-	944	(102,000)
Other income and expenses					
(161,530)	-	-	-	-	(161,530)
-----					
Profit from operations					
72,244	-	944	-	944	73,188
Finance costs					
(31,800)	-	-	-	-	(31,800)
Share of profits less losses of associates					
2,028	(1,900)	-	(161)	(2,061)	(33)
Net valuation gains on investment properties					
-	-	-	6,180	6,180	6,180
-----					
Profit before taxation					
42,472	(1,900)	944	6,019	5,063	47,535
Income tax					
(3,480)	1,900	-	(2,784)	(884)	(4,364)
-----					

	38,992	-	944	3,235	4,179	43,171
Minority interests	(3,976)	3,976	-	-	3,976	-
-----						
Profit for the year	35,016	3,976	944	3,235	8,155	43,171
=====						
Attributable to:						
Equity shareholders of the Company	35,016	-	944	3,235	4,179	39,195
=====						
Minority interests	-	3,976	-	-	3,976	3,976
-----						
Profit for the year	35,016	3,976	944	3,235	8,155	43,171
=====						
Earnings per share						
Basic	\$0.20	-	\$0.01	\$0.01	\$0.02	\$0.22
=====						
Other significant disclosure items:						
Depreciation	(51,778)	-	944	-	944	(50,834)
=====						

Effect on Consolidated balance sheet at 31st March, 2005

Effect of new policy (increase / (decrease)  
in net assets)

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2005 (as previous ly reported (note 2(d))	HKAS 1 (note 2(e))	HKAS 17 (note 2(e))	HKAS 40 (note 2(g))	Sub-total		2005 (as restated)
\$'000	\$'000	\$'000	\$'000	\$'000		\$'000

Non-current assets

Fixed assets	Investment properties					
51,309	-	-	-	-		51,309
Other property, plant	and equipment					
569,613	-	(36,573)	-	(36,573)		533,040
Interests in leasehold						
land held for own use						
under operating leases						
-	-	15,020	-	15,020		15,020
Other non-current assets						
258,080	-	-	-	-		258,080
-----						
879,002	-	(21,553)	-	(21,553)		857,449
-----						
Net current liabilities						
(41,989)	-	-	-	-		(41,989)
-----						
Non-current liabilities						
Deferred tax liabilities						
(12,017)	-	5,122	(5,002)	120		(11,897)
Other non-current liabilities						
(219,766)	-	-	-	-		(219,766)
-----						
(231,783)	-	5,122	(5,002)	120		(231,663)
Minority interests						
(38,873)	38,873	-	-	38,873		-
-----						
NET ASSETS						
566,357	38,873	(16,431)	(5,002)	17,440		583,797
=====						

#### CAPITAL AND RESERVES

##### Revaluation reserves

- land and buildings

42,635	-	(24,539)	-	(24,539)		18,096
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- investment properties

34,373	-	-	(34,373)	(34,373)		-
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Retained profits						
327,923	-	8,108	29,371	37,479		365,402
Share capital and other reserves						
161,426	-	-	-	-		161,426
-----						
Total equity attributable to equity shareholders of the Company						
566,357	-	(16,431)	(5,002)	(21,433)		544,924
Minority interests						
-	38,873	-	-	38,873		38,873
-----						
TOTAL EQUITY						
566,357	38,873	(16,431)	(5,002)	17,440		583,797
=====						

(c) Estimated effect of changes in accounting policies on the current period

The following tables provide estimates of the extent to which each of the line items in the consolidated income statement and balance sheet for the year ended 31st March, 2006 is higher or lower than it would have been had the previous policies still been applied in the year, where it is practicable to make such estimates.

Estimated effect on the consolidated income statement for the year ended 31st March, 2006:

Estimated effect of new policy (increase / (decrease) in profit for the year)					
-----					
HKFRS 3	HKAS 1		HKAS		Total
(note 2(c))	(note 2(d))	HKAS 17	32&39	HKAS 40	
		(note 2(e))	(note 2(f))	(note 2(g))	
-----					
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

Other revenue	-	-	-	2,933	-	2,933
Administrative expenses	-	-	944	-	-	944
Other operating expenses	2,008	-	-	-	-	2,008
-----						
Profit from operations	2,008	-	944	2,933	-	5,885
Share of profits less losses of associates and jointly controlled entities	32,147	(1,624)	-	-	7,061	37,584
Impairment of an associate	(14,493)	-	-	-	-	(14,493)
Net valuation gains on investment properties	-	-	-	-	23,299	23,299
-----						
Profit before taxation	19,662	(1,624)	944	2,933	30,360	52,275
Income tax	-	1,624	-	-	(3,636)	(2,012)
-----						
Profit for the year	19,662	-	944	2,933	26,724	50,263
=====						
Attributable to:						
Equity shareholders of the Company	19,662	-	944	2,933	26,724	50,263
-----						
Profit for the year	19,662	-	944	2,933	26,724	50,263
=====						
Earnings per share						
Basic	\$0.09	-	\$0.01	\$0.01	\$0.13	\$0.24

Other significant disclosure items:

Depreciation

-                    -                    944                    -                    944

Estimated effect on the consolidated balance sheet for the year ended 31st March, 2006:

Estimated effect of new policy (increase / (decrease)  
in net assets)

-----				
HKFRS 3	HKAS 17	HKAS	HKAS 40	Total
(note 2(c))	(note 2(e))	32 & 39	(note 2(g))	
		(note 2(f))		
\$'000	\$'000	\$'000	\$'000	\$'000
Non-current assets				
Fixed assets				
Other property, plant and equipment				
-	(27,848)	-	-	(27,848)
Interests in leasehold land held for own use under operating leases				
-	7,240	-	-	7,240
Goodwill				
6,714	-	-	-	6,714
Interest in associates				
6,509	-	-	-	6,509
Interest in jointly controlled entities				
40,619	-	-	-	40,619
-----				
53,842	(20,608)	-	-	33,234
-----				
Current assets				
Trade and other receivables				
-	-	128,464	-	128,464

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Current liabilities				
Bank loans and overdrafts				
-	-	(125,531)	-	(125,531)
-----				
Net current assets				
-	-	2,933	-	2,933
=====				
Total assets less current liabilities				
53,842	(20,608)	2,933	-	36,167
-----				
Non-current liabilities				
Deferred tax liabilities				
-	5,121	-	(8,638)	(3,517)
=====				
NET ASSETS				
53,842	(15,487)	2,933	(8,638)	32,650
=====				
CAPITAL AND RESERVES				
Revaluation reserves				
- land and buildings				
-	(24,539)	-	-	(24,539)
- investment properties				
-	-	-	(64,733)	(64,733)
Retained profits				
53,842	9,052	2,933	56,095	121,922
-----				
TOTAL EQUITY				
53,842	(15,487)	2,933	(8,638)	32,650
=====				