YANGTZEKIANG GARMENT LIMITED
長 江 製 衣 有 限 公 司

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

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST MARCH, 2006

The Board of Directors of Yangtzekiang Garment Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries, associates and jointly controlled entities (the "**Group**") for the year ended 31st March, 2006 as follows:

CONSOLIDATED INCOME STATEMENT
(Expressed in Hong Kong dollars)

	Note	2006 $'000	2005 (Restated) $'000
Turnover	3	**1,600,981**	1,665,835
Cost of sales		**(1,293,525)**	(1,329,117)
Gross profit		**307,456**	336,718
Other revenue		**12,917**	8,286
Other net income		**1,371**	3,582
Selling and distribution expenses		**(116,244)**	(133,693)
Administrative expenses		**(98,029)**	(102,000)
Other operating expenses		**(42,193)**	(39,705)
Profit from operations	3	**65,278**	73,188
Finance costs	4	**(40,848)**	(31,800)
Share of profits less losses of associates		**3,474**	(33)
Share of profits of jointly controlled entities		**40,619**	–
Loss on disposal of associates	5	**(39,272)**	–
Gain on disposal of subsidiaries	5	**960**	–
Impairment of an associate	10	**(14,493)**	–
Net valuation gains on investment properties		**23,299**	6,180
Profit before taxation	4	**39,017**	47,535
Income tax	6	**(11,002)**	(4,364)
Profit for the year		**28,015**	43,171
Attributable to:			
Equity shareholders of the Company		**25,275**	39,195
Minority interests		**2,740**	3,976
Profit for the year		**28,015**	43,171
Dividends payable to equity shareholders of the Company attributable to the year:	7		
Interim dividend declared during the year		**–**	4,207
Final dividend proposed after the balance sheet date		**16,829**	16,829
		16,829	21,036
Earnings per share			
Basic	8	**$0.12**	$0.22

CONSOLIDATED BALANCE SHEET

(Expressed in Hong Kong dollars)

		2006		2005 (Restated)	
	Note	***$'000***	***$'000***	*$'000*	*$'000*
Non-current assets					
Fixed assets					
Investment properties		**79,638**		51,309	
Other property, plant and equipment		**137,456**		533,040	
Interests in leasehold land held for own use under operating leases		**7,240**	**224,334**	15,020	599,369
Construction in progress			**26**		877
Intangible assets			**2,874**		4,726
Goodwill			**–**		(6,588)
Interest in associates			**14,810**		246,912
Interest in jointly controlled entities			**281,788**		–
Other financial assets			**9,014**		7,786
Deferred tax assets			**1,553**		4,367
			534,399		857,449
Current assets					
Inventories		**151,841**		233,836	
Trade and other receivables	*9*	**441,208**		252,012	
Tax recoverable		**1,743**		1,693	
Pledged deposits		**–**		7,995	
Non-current assets held for sale	*10*	**60,000**		–	
Cash and cash equivalents		**43,820**		95,269	
		698,612		590,805	
Current liabilities					
Trade and other payables	*11*	**332,924**		392,802	
Bank loans and overdrafts		**232,318**		237,778	
Tax payable		**565**		2,214	
		565,807		632,794	
Net current assets/(liabilities)			**132,805**		(41,989)
Total assets less current liabilities			**667,204**		815,460
Non-current liabilities					
Bank loans		**65,024**		213,746	
Provision for long service payments		**4,272**		6,020	
Deferred tax liabilities		**14,293**	**83,589**	11,897	231,663
NET ASSETS			**583,615**		583,797
CAPITAL AND RESERVES					
Share capital			**105,184**		105,184
Reserves			**478,431**		439,740
Total equity attributable to equity shareholders of the Company			**583,615**		544,924
Minority interests			**–**		38,873
TOTAL EQUITY			**583,615**		583,797

NOTES:

1. BASIS OF PREPARATION

The financial information in this announcement has 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 requirements of the Hong Kong Companies Ordinance. This announcement also complies 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 figures in respect of this announcement of the Group's 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 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 January, 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 reserves (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, the Group 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 cannot fulfill the criteria for hedge 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 1st 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) HKAS 1 *(note 2(a(ii)))*	HKAS 17 *(note 2(a(iii)))*	HKAS 40 *(note 2(a(v)))*	Sub-total	2005 (as restated)
	$'000	*$'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 as at 31st March, 2005:

	2005 (as previously reported)	Effect of new policy (increase/(decrease) in net assets) HKAS 1 *(note 2(a(ii)))*	HKAS 17 *(note 2(a(iii)))*	HKAS 40 *(note 2(a(v)))*	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
– investment properties	34,373	–	–	(34,373)	(34,373)	–
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 *(note 2(a(i)))*	**HKAS 1** *(note 2(a(ii)))*	**HKAS 17** *(note 2(a(iii)))*	**HKAS 32&39** *(note 2(a(iv)))*	**HKAS 40** *(note 2(a(v)))*	**Total**
	$'000	*$'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 as at 31st March, 2006:

	Estimated effect of new policy (increase/(decrease) in net assets)				
	HKFRS 3 *(note 2(a(i)))*	**HKAS 17** *(note 2(a(iii)))*	**HKAS 32 & 39** *(note 2(a(iv)))*	**HKAS 40** *(note 2(a(v)))*	**Total**
	$'000	*$'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
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

3. SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because it is more relevant to the Group's internal financial reporting. Geographical segment information has been chosen as the secondary reporting format.

Business segments

The Group comprises the following main business segments:

– Manufacture and sales of garments: the manufacture, retail and wholesale of garments
– Manufacture and sales of textiles: the manufacture and wholesale of textiles

	Manufacture and sale of garments		Manufacture and sale of textiles		Unallocated		Others		Consolidated	
	2006	2005 (Restated)	2006	2005 (Restated)	2006	2005 (Restated)	2006	2005 (Restated)	2006	2005 (Restated)
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue from external customers	**1,361,372**	1,397,110	**232,337**	263,189	**–**	–	**7,272**	5,536	**1,600,981**	1,665,835
Other revenue	**10,894**	4,396	**351**	19	**868**	3,067	**804**	804	**12,917**	8,286
Total	**1,372,266**	1,401,506	**232,688**	263,208	**868**	3,067	**8,076**	6,340	**1,613,898**	1,674,121
Segment result	**22,788**	30,682	**37,455**	36,461	**868**	3,067	**4,167**	2,978	**65,278**	73,188
Finance costs									**(40,848)**	(31,800)
Share of profits less losses of associates and jointly controlled entities	**1,028**	940	**45,266**	2,600	**–**	–	**(2,201)**	(3,573)	**44,093**	(33)
Gain on disposal of subsidiaries									**960**	–
Loss on disposal of associates									**(39,272)**	–
Impairment of an associate									**(14,493)**	–
Net valuation gains on investment properties									**23,299**	6,180
Income tax									**(11,002)**	(4,364)
Profit for the year									**28,015**	43,171
Depreciation and amortisation for the year	**27,505**	32,381	**24,804**	24,327	**–**	–	**1,409**	783	**53,718**	57,491
Impairment of positive goodwill	**2,177**	–	**–**	–	**–**	–	**–**	–	**2,177**	–
Segment assets	**669,864**	646,272	**–**	432,209	**–**	–	**189,686**	104,351	**859,550**	1,182,832
Interest in associates and jointly controlled entities	**10,221**	24,951	**281,788**	67,736	**–**	–	**4,589**	154,225	**296,598**	246,912
Unallocated assets									**76,863**	18,510
Total assets									**1,233,011**	1,448,254
Segment liabilities	**337,139**	393,930	**–**	4,849	**–**	–	**58**	43	**337,197**	398,822
Unallocated liabilities									**312,199**	465,635
Total liabilities									**649,396**	864,457
Capital expenditure incurred during the year	**12,313**	30,807	**507,910**	14,848	**–**	–	**6,372**	16,055	**526,595**	61,710

Geographical segments

The Group's business is managed on a worldwide basis, but participates in four principal economic environments.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

	Revenue from external customers	
	2006	2005
	$'000	*$'000*
– Europe		
United Kingdom	**275,996**	186,242
France	**202,587**	244,358
Other European countries	**437,627**	316,402
– North America	**224,575**	398,056
– Asia Pacific	**438,364**	502,980
– Others	**21,832**	17,797
	1,600,981	1,665,835

4. PROFIT BEFORE TAXATION

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

	2006	2005 (Restated)
	$'000	*$'000*
Interest on bank loans wholly repayable within five years (including bank charges)	**46,442**	31,800
Less: Borrowing costs capitalised	**(5,594)**	–
Net interest expense	**40,848**	31,800
Amortisation of land lease premium	**336**	335
Amortisation (other than of land lease premium		
– positive goodwill	**–**	6,522
– negative goodwill	**–**	(2,051)
– negative goodwill included in share of profits less losses of associates	**–**	(8,471)
– other intangible assets	**1,725**	1,851
Negative goodwill credited to the income statement	**4,059**	–
Depreciation	**51,657**	50,834
Impairment losses made/(written back)		
– trade and other receivables	**58**	(641)
– positive goodwill	**2,177**	–
Auditors' remuneration	**2,254**	1,787
Operating lease charges: minimum lease payments		
– property rentals	**7,362**	4,766
Share of associates' taxation	**5,728**	1,900
Rentals receivable from investment properties less direct outgoings of $2,020,000 (2005: $1,685,000)	**(5,252)**	(3,851)
Cost of inventories	**1,293,525**	1,329,117

5. DISPOSAL OF ASSOCIATES AND SUBSIDIARIES

During the year, the Group disposed of certain associates and subsidiaries to an independent third party and Wuxi Talak Investment Co., Ltd., a jointly controlled entity of the Group resulting in a loss on disposal of associates of $39,272,000 and a gain on disposal of subsidiaries of $960,000.

6. INCOME TAX

Income tax in the consolidated income statement represents:

	2006	2005 (Restated)
	$'000	*$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**4,970**	8,449
Over-provision in respect of prior years	**(517)**	(1,290)
	4,453	7,159
Current tax – Overseas		
Tax for the year	**1,216**	–
Under/(Over) – provision in respect of prior years	**534**	(24)
	1,750	(24)
Deferred tax		
Origination and reversal of temporary differences	**4,799**	(2,771)
	11,002	4,364

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

7. DIVIDENDS

	2006	2005
	$'000	*$'000*
Interim dividend declared and paid of HK$Nil (2005: HK$0.02) per share	**–**	4,207
Final dividend proposed after the balance sheet date of HK$0.08 (2005: HK$0.08) per share	**16,829**	16,829
	16,829	21,036

8. **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 $25,275,000 (2005 (restated): $39,195,000) and the weighted average of 210,369,000 shares (2005: 175,326,000 shares) 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, 2005 and 2006.

9. **TRADE AND OTHER RECEIVABLES**

The following is an aging analysis and components of trade and other receivables at the reporting date:

	2006	2005
	$'000	*$'000*
0 – 60 days	**266,101**	154,253
61 – 90 days	**14,521**	4,541
> 90 days	**5,152**	3,664
Trade debtors and bills receivable	**285,774**	162,458
Loans receivable	**1,680**	1,693
Deposits, prepayments and other debtors	**73,565**	25,072
Prepayment for investment	**33,235**	33,235
Amounts due from associates and related companies	**7,529**	9,649
Dividends receivable from associates and jointly controlled entities	**39,425**	19,905
	441,208	252,012

The credit terms given to trade debtors vary and are generally based on the financial strengths of individual debtors. In order to effectively manage the credit risks associated with trade debtors, credit evaluation of debtors are performed periodically.

10. **NON-CURRENT ASSETS HELD FOR SALE**

On 31st March, 2006, the Group entered into an agreement to dispose of its entire 39.12% interest in W. Haking Enterprises Limited ("W. Haking"), an associate of the Group, with one of the major shareholders of W. Haking for a consideration of $60,000,000. The disposal is scheduled to be completed in March, 2007. Accordingly, the interests in W. Haking are presented as non-current assets held for sale. Immediately before classification as non-current assets held for sale, based on the agreed disposal proceeds, the carrying amount of the interest in W. Haking was written down by $14,493,000 to reflect the recoverable value. As at 31st March, 2006, an initial deposit of $1,000,000 had been received and is included in other payables.

11. **TRADE AND OTHER PAYABLES**

The following is an aging analysis and components of trade and other payables at the reporting date:

	2006	2005
	$'000	*$'000*
0 – 60 days	**118,633**	168,734
61 – 90 days	**17,812**	7,792
> 90 days	**18,168**	6,177
Trade creditors and bills payable	**154,613**	182,703
Accrued charges and other creditors	**166,247**	140,319
Amounts due to associates, jointly controlled entities and related companies	**8,344**	63,912
Amount due to a shareholder	**3,720**	5,868
	332,924	392,802

DIVIDEND

The Board resolved to recommend the payment of a final dividend of HK8 cents (2005: HK8 cents) per share for the year ended 31st March, 2006 at the forthcoming annual general meeting of the Company to be held on 19th September, 2006. The aggregate final dividend amount to $16,829,000 (2005: $16,829,000), if approved by the shareholders, is expected to be paid on or around 20th September, 2006. The register of members of the Company will be closed from 11th September, 2006 to 19th September, 2006 (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 Friday, 8th September, 2006.

BUSINESS REVIEW AND PROSPECTS

Business of garment trading in both woven and knits has managed to achieve satisfactory growth in both revenue and profit. While our garment factories in China have again enjoyed a better year, our other overseas garment factories have not been operating profitably. Our overall profit has dropped from last year due mainly to the following reasons.

1. There was a loss of approximately $26 million when we disposed of our investment in Qinghai Changqing Aluminium Corporation – an aluminium smelter in Qinghai, China and an impairment loss of $14 million when we entered into agreement to dispose of W. Haking Enterprises Ltd. – an optical instrument manufacturer scheduled to be completed in March 2007. However it is worth mentioning that our disposal prices in both of these transactions were higher than their original investment costs, and details of these transactions have been announced previously.

2. The results of our French distribution company -Yangtzekiang S.A. continued to drop, and this year's loss was exceptionally high. This was mainly due to the decline in sales and the heavy indemnity payments incurred during the lay off of its redundant employees. This cutting of overhead expenses, however, will in the long run benefit the company making it more competitive.

3. The closing down of our Sri Lanka factory had resulted in a loss to the company. The quota free environment coupled with the non-competitiveness of our operation there made this closure decision inevitable. However this has given us greater flexibility and choices when sourcing for garment manufacturers.

OUTLOOK

With the disposal of the above mentioned non-garment related investments, we can now focus solely on the development and future planning of our core business which is all garment and textile related.

The elimination of textile and garment quota with the exception of China has seen more and more garment suppliers worldwide, thus making the garment market highly competitive and selling prices even more depressed. In order to maintain our competitiveness, we have since over the last few years closed down many of our non-profitable factories overseas like Lesotho, Sri Lanka and Malaysia, and concentrated on manufacturing and sourcing from those lower cost or more efficient areas like Bangladesh, Vietnam and China.

The business of Yangtzekiang S.A., although we have drastically reduced its overhead expenses, will remain very difficult due to the slackening market situation in France.

GARMENT BUSINESS

We operate our woven clothing business under the name of Yangtzekiang Garment Limited. 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 currently narrowed down to China and Cambodia. The Hong Kong office also oversees business with many factories that we have agreements with in China, Bangladesh, India, 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. Business has been good in general but if oil prices should continue to increase, profits would definitely be affected in the coming year.

Whampoa Garment Mfg. (Guangzhou) Co., Ltd. also in Panyu, China has expanded its knits section to become a knits manufacturer as well as a men's and ladies' woven shirts manufacturer. Business for the knits section has been good and further expansion is expected in the coming year.

Bangladesh remains an important area for us in woven shirts production. There are over a dozen factories that we have production agreements with, and we have over 30 staff in our Bangladesh office overseeing all production. Our products are mainly for the European market. The re-introduction of quota for China in the middle of 2005 has revived the importance of this operation. We believe Bangladesh is one of the few places that can compete in the garment business with China. In fact, we are planning to open up a woven shirt factory there to further support our sourcing base in Bangladesh.

High manufacturing costs, low efficiency and depressed selling prices have caused our factory in Cambodia to suffer further losses. Its main product are casual pants and shorts and the U.S.A. is its main export market. Despite the unfavourable manufacturing condition, our Cambodia operation is inevitably part of our group's supply chain which over the years has contributed to our garment sales departments in Hong Kong in the expansion of business as well as income.

OTHER BUSINESS

During the current year we had a restructuring of our investments in Wuxi. A new company under the name of Wuxi Talak Investment Co., Ltd. was formed in which we have 49% shareholding. This new company has become the holding company of several textiles related companies and among them are our previous investments in Wuxi Changxin Textile Co., Ltd., Wuxi YGM Textile Co., Ltd. and Wuxi Yangtzekiang Textile Co., Ltd. Details of the restructuring transactions were previously publicly announced. The reasons for such a move were mainly for management efficiency and effectiveness. Our core business in Wuxi remains the same, that is the production of medium range to high end yarn. Due to the relatively higher entry level, this is a less competitive industry and thus this company will be able to maintain a steady market share and high profit margin.

We believe the disposal of the investment in Qinghai Changqing Aluminium Corporation and scheduled disposal of W. Haking Enterprises Ltd. were a timely decisions. Although accounting-wise there was a loss on the disposal but actually our disposal prices were higher than the original investment prices. Now that the two non-garment related investments were disposed of, we will dedicate all of our attention and resources to our garment & textile related business.

Yangtzekiang S.A., suffered another year of loss. The company's main business is acting as a garment importer that sells to supermarkets at mass market prices. This kind of business has been highly competitive since few years ago. The management has been well aware of the problem, and, in fact, one of the reasons why we acquired the label JIL (a French men's underwear brand) a few years ago was to diversify into a better profit margin brand business. However during the past few years, JIL also recorded losses mainly due to the huge indemnity expenses incurred when laying off the redundant employees. Fortunately JIL remains a well known men's underwear brand in France, and during the year, its products have successfully entered into such famous stores as the Galeries LaFayette. Internationally JIL has also successfully concluded licensee or distribution agreements with companies in Japan, Greece and Russia.

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, 2006, the cash and bank balances of the Group were approximately $44 million (2005: $103 million). As at 31st March, 2006, the bank borrowings of the Group were approximately $297 million (2005: $452 million), of which approximately $232 million (2005: $238 million) was short term while approximately $65 million (2005: $214 million) was long term. The gearing ratio (calculated by dividing total bank borrowings net of cash and bank balances by total equity) of the Group as at 31st March, 2006 was 43% (as at 31st March, 2005 (restated): 60%). The bank borrowings including bank loans and overdrafts are mainly in Hong Kong dollars and Euros.

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 receivables and payables denominated in foreign currencies against the exchange rate fluctuations.

PLEDGE OF ASSETS

As at 31st March, 2006, the Group had pledged certain assets with carrying values of HK$130 million (2005: HK$339 million) mainly for security of banking facilities granted to the Group.

EMPLOYMENT AND REMUNERATION POLICIES

As at 31st March, 2006, the Group, including its subsidiaries but excluding associates and jointly controlled entities, employed approximately of 6,200 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, 2006.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied throughout the year ended 31st March, 2006 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 statement of the Group of the year ended 31st March, 2006.

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, 21st July, 2006

As at the date hereof, the board of Directors comprises eight executive Directors, namely Mr. Chan Sui Kau, Mr. Chan Wing Fui Peter, Mr. Chan Wing Kee, Mr. Chan Wing To, Ms. Chan Suk Man, Mr. Chan Wing Sun Samuel, Ms. Chan Suk Ling Shirley and Mr. So Ying Woon Alan 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 in China Daily.