

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, 2007

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, 2007 as follows:

CONSOLIDATED INCOME STATEMENT

(Expressed in Hong Kong dollars)

	<i>Note</i>	2007 \$'000	2006 \$'000
Turnover	2	1,725,435	1,600,981
Cost of sales		<u>(1,382,430)</u>	<u>(1,293,525)</u>
Gross profit		343,005	307,456
Other revenue		12,471	9,984
Other net income		24,482	4,304
Selling and distribution expenses		(131,862)	(116,244)
Administrative expenses		(87,960)	(98,029)
Other operating expenses		<u>(45,610)</u>	<u>(42,193)</u>
Profit from operations	3	114,526	65,278
Finance costs	3	(19,099)	(40,848)
Share of profits less losses of associates		(343)	3,474
Share of profits less losses of jointly controlled entities		14,121	40,619
Loss on disposal of associates		-	(39,272)
(Loss)/gain on disposal of subsidiaries		(9,296)	960
Impairment of an associate		-	(14,493)
Net valuation gains on investment properties		<u>10,231</u>	<u>23,299</u>
Profit before taxation	3	110,140	39,017
Income tax	4	<u>(13,670)</u>	<u>(11,002)</u>
Profit for the year		<u><u>96,470</u></u>	<u><u>28,015</u></u>
Attributable to:			
Equity shareholders of the Company		96,706	25,275
Minority interests		<u>(236)</u>	<u>2,740</u>
Profit for the year		<u><u>96,470</u></u>	<u><u>28,015</u></u>
Dividends payable to equity shareholders of the Company attributable to the year:	5		
Interim dividend declared during the year		6,311	-
Final dividend proposed after the balance sheet date		<u>31,555</u>	<u>16,829</u>
		<u><u>37,866</u></u>	<u><u>16,829</u></u>
Earnings per share			
Basic	6	<u><u>\$0.46</u></u>	<u><u>\$0.12</u></u>

CONSOLIDATED BALANCE SHEET

		2007		2006	
	<i>Note</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Non-current assets					
Fixed assets					
Investment properties		86,677		79,638	
Other property, plant and equipment		146,607		137,456	
Interests in leasehold land held for own use under operating leases		<u>6,955</u>	<u>240,239</u>	<u>7,240</u>	224,334
Construction in progress			42		26
Intangible assets			2,874		2,874
Interest in associates			14,671		14,810
Interest in jointly controlled entities			314,042		281,788
Other financial assets			4,586		9,014
Deferred tax assets			-		<u>1,553</u>
			<u>576,454</u>		534,399
Current assets					
Inventories		139,038		151,841	
Trade and other receivables	7	324,105		441,208	
Tax recoverable		1,493		1,743	
Non-current assets held for sale		-		60,000	
Cash and cash equivalents		<u>80,055</u>		<u>43,820</u>	
		<u>544,691</u>		<u>698,612</u>	
Current liabilities					
Trade and other payables	8	301,578		332,924	
Bank loans and overdrafts		104,624		232,318	
Tax payable		3,806		565	
		<u>410,008</u>		<u>565,807</u>	
Net current assets			<u>134,683</u>		<u>132,805</u>
Total assets less current liabilities			<u>711,137</u>		<u>667,204</u>
Non-current liabilities					
Bank loans		11,250		65,024	
Provision for long service payments		3,591		4,272	
Deferred tax liabilities		<u>16,819</u>	<u>31,660</u>	<u>14,293</u>	<u>83,589</u>
NET ASSETS			<u>679,477</u>		<u>583,615</u>
CAPITAL AND RESERVES					
Share capital			105,184		105,184
Reserves			<u>573,547</u>		<u>478,431</u>
Total equity attributable to equity shareholders of the Company			<u>678,731</u>		<u>583,615</u>
Minority interests			<u>746</u>		-
TOTAL EQUITY			<u>679,477</u>		<u>583,615</u>

*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 HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. The adoption of the new and revised HKFRSs has had no significant impact on the financial statements of the Group for the year ended 31st March, 2007.

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

The figures in respect of this announcement of the Group’s result for the year ended 31st March, 2007 have been compared by the Company’s auditors, KPMG, Certified Public Accountants, to the amounts set out in the Group’s draft financial statements for the year ended 31st March, 2007 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. 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		Others		Unallocated		Consolidated	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Revenue from external customers	1,712,648	1,361,372	4,839	232,337	7,948	7,272	-	-	1,725,435	1,600,981
Other revenue	8,174	7,961	-	351	804	804	3,493	868	12,471	9,984
Total revenue	<u>1,720,822</u>	<u>1,369,333</u>	<u>4,839</u>	<u>232,688</u>	<u>8,752</u>	<u>8,076</u>	<u>3,493</u>	<u>868</u>	<u>1,737,906</u>	<u>1,610,965</u>
Segment result	104,633	22,788	452	37,455	5,948	4,167	3,493	868	114,526	65,278
Finance costs									(19,099)	(40,848)
Share of profits less losses of associates and jointly controlled entities	289	1,028	9,559	45,266	3,930	(2,201)	-	-	13,778	44,093
(Loss)/gain on disposal of subsidiaries									(9,296)	960
Loss on disposal of associates									-	(39,272)
Impairment of an associate									-	(14,493)
Net valuation gains on investment properties									10,231	23,299
Income tax									(13,670)	(11,002)
Profit for the year									<u>96,470</u>	<u>28,015</u>
Depreciation and amortisation for the year	27,356	27,505	45	24,804	479	1,409	-	-	27,880	53,718
Impairment of positive goodwill	-	2,177	-	-	-	-	-	-	-	2,177
Segment assets	665,296	669,864	2,052	-	113,020	189,686	-	-	780,368	859,550
Interest in associates and jointly controlled entities	9,828	10,221	314,042	281,788	4,843	4,589	-	-	328,713	296,598
Unallocated assets									12,064	76,863
Total assets									<u>1,121,145</u>	<u>1,233,011</u>
Segment liabilities	419,557	337,139	1,438	-	47	58	-	-	421,042	337,197
Unallocated liabilities									20,626	312,199
Total liabilities									<u>441,668</u>	<u>649,396</u>
Capital expenditure incurred during the year	<u>48,254</u>	<u>12,313</u>	<u>-</u>	<u>509,323</u>	<u>2,449</u>	<u>6,372</u>	<u>-</u>	<u>-</u>	<u>50,703</u>	<u>528,008</u>

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	
	2007	2006
	\$'000	\$'000
– Europe		
United Kingdom	521,254	275,996
France	116,553	202,587
Other European countries	439,479	437,627
– North America	245,136	224,575
– Asia Pacific	372,746	438,364
– Others	30,267	21,832
	<u>1,725,435</u>	<u>1,600,981</u>

3. PROFIT BEFORE TAXATION

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

	2007	2006
	\$'000	\$'000
Interest on bank loans wholly repayable within five years (including bank charges)	17,329	46,442
Loss on discounting of loans receivable stated at amortised cost	1,770	-
Less: Borrowing costs capitalised	-	(5,594)
Net interest expenses	19,099	40,848
Amortisation of land lease premium	147	336
Amortisation of other intangible assets	-	1,725
Negative goodwill credited to the income statement	-	(4,059)
Depreciation	27,733	51,657
Impairment losses made		
- trade, other receivables and loans receivable	21,375	58
- positive goodwill	-	2,177
Auditors' remuneration	1,812	2,254
Operating lease charges: minimum lease payments		
- property rentals	3,491	7,362
Rentals receivable from investment properties less direct outgoings of \$1,815,000 (2006: \$2,020,000)	(6,133)	(5,252)
Cost of inventories	<u>1,382,430</u>	<u>1,293,525</u>

4. **INCOME TAX**

Income tax in the consolidated income statement represents:

	2007	2006
	\$'000	\$'000
Current tax - Hong Kong Profits Tax		
Provision for the year	7,714	4,970
Under-/((over-)) provision in respect of prior years	154	(517)
	<u>7,868</u>	<u>4,453</u>
Current tax - Overseas		
Provision for the year	3,414	1,216
Under-provision in respect of prior years	-	534
	<u>3,414</u>	<u>1,750</u>
Deferred tax		
Origination and reversal of temporary differences	2,388	4,799
	<u>13,670</u>	<u>11,002</u>

The provision for Hong Kong Profits Tax for 2007 is calculated at 17.5% (2006: 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.

5. **DIVIDENDS**

	2007	2006
	\$'000	\$'000
Interim dividend declared and paid of \$0.03 per share (2006: \$ Nil)	6,311	-
Final dividend proposed after the balance sheet date of \$0.15 (2006: \$0.08) per share	31,555	16,829
	<u>37,866</u>	<u>16,829</u>

6. **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 \$96,706,000 (2006: \$25,275,000) and the weighted average of 210,369,000 shares (2006: 210,369,000 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, 2006 and 2007.

7. TRADE AND OTHER RECEIVABLES

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

	2007	2006
	\$'000	\$'000
0 – 60 days	238,964	266,101
61 – 90 days	5,880	14,521
> 90 days	2,438	5,152
	<hr/>	<hr/>
Trade debtors and bills receivable	247,282	285,774
Loans receivable	3,109	1,680
Deposits, prepayment and other debtors	35,533	73,565
Prepayment for investments	-	33,235
Amounts due from related companies	8,277	7,529
Dividend receivable from associates and jointly controlled entities	29,904	39,425
	<hr/>	<hr/>
	324,105	441,208
	<hr/> <hr/>	<hr/> <hr/>

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 evaluations of debtors are performed periodically.

8. TRADE AND OTHER PAYABLES

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

	2007	2006
	\$'000	\$'000
0 – 60 days	155,715	118,633
61 – 90 days	11,392	17,812
> 90 days	13,620	18,168
	<hr/>	<hr/>
Trade creditors and bills payable	180,727	154,613
Accrued charges and other creditors	113,200	166,247
Amounts due to related companies	217	2,877
Amounts due to associates and jointly controlled entities	4,148	5,467
Amount due to a shareholder	3,286	3,720
	<hr/>	<hr/>
	301,578	332,924
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9. NON-ADJUSTING POST BALANCE SHEET EVENT

On 19th July, 2007, the Group's jointly controlled entity, Wuxi Talak Investment Co., Limited, and two of its wholly-owned subsidiaries, namely Wuxi Changxin Textile Co., Ltd. and Wuxi Changxin Real Estate Co., Ltd (collectively the "Wuxi Talak Group") entered into a Compensation Agreement with Wuxi Guolian Development (Group) Co., Ltd., ("Wuxi Development") whereby the Wuxi Talak Group agreed to vacate certain land and buildings which it currently occupied and give vacant possession of the land and buildings to Wuxi Development.

Pursuant to the terms of the Compensation Agreement, Wuxi Development will pay compensation in consideration for the Wuxi Talak Group giving up vacant possession of the land and buildings. The compensation, which amounts to RMB350 million (approximately \$360 million), will be paid in two instalments, which will be receivable upon completion of the procedures necessary to vacate the land and buildings which are expected to be completed in two distinct phases by 31st March, 2008 and 30th June, 2008, respectively.

Management has calculated that the net post-tax effect of this arrangement for the Wuxi Talak Group will be a net profit of approximately RMB189 million (approximately \$195 million), of which RMB93 million (approximately \$95 million) will be attributable to the Group. The net profit referred to above has been calculated based on management's current best estimates of the losses to be incurred on disposal or write off of fixed assets, relocation costs expected to be incurred and the related tax consequences thereof. The actual costs to be incurred may differ from these estimates and the actual net profit arising from this arrangement may be higher or lower than the above estimate.

DIVIDEND

The Board resolved to recommend the payment of a final dividend of HK15 cents (2006: HK8 cents) per share for the year ended 31st March, 2007 at the forthcoming annual general meeting of the Company to be held on 18th September, 2007. The aggregate final dividend amounts to \$31,555,000 (2006: \$16,829,000), if approved by the shareholders, is expected to be paid on or around 19th September, 2007. The register of members of the Company will be closed from 10th September, 2007 to 18th September, 2007 (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, 7th September, 2007.

BUSINESS REVIEW AND PROSPECTS

The overall profit has increased substantially from last year due mainly to the following reasons:

1. Strong growth of our garment business both in revenue and profits.
2. Foreign exchange gain due from the surge in the Euro and Pounds Sterling during the current year.
3. The closing down of some of the non-profitable factories overseas in Sri Lanka and Lesotho.
4. Disposal of other non-profitable investments such as Yangtzekiang S.A. in France, W. Haking Enterprises Ltd and the aluminium plant in Qinghai, the PRC.

OUTLOOK

With the exception of the investment in Wuxi, our company now concentrates solely on our core business which is garment manufacturing, trading and sourcing. For the coming year, although our selling prices are constantly under pressure, we expect our garment business will continue to benefit from the strong Euro and Pounds Sterling.

Profit growth from the textile business of the Wuxi Talak Group is expected to slow over the next year but we expect to record an exceptional profit from Compensation Agreement arrangement referred to above.

As to our operations in the PRC, despite all the adverse factors such as: fierce competition, surge of oil prices, the ever increasing minimum wage, the strong Renminbi (RMB) as well as a further cut in export tax rebates by the Chinese Government, we still expect the coming year to be a profitable one.

GARMENT BUSINESS

We operate our woven clothing business under the name of Yangtzekiang Garment 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, sourcing and the overall control of our production facilities in the PRC, Cambodia as well as our partnership garment factories in the PRC, Bangladesh, India, Myanmar and Vietnam.

Exquisite Knitters (Guangzhou) Ltd. in Panyu, the PRC, operates a vertical setup factory from knitting, dyeing and finishing of fabrics to the manufacturing of garments. Our garment plant is a compliant factory manufacturing mainly high quality mercerized knitted polo shirts. Business has been good in general but in order to combat all the adverse factors we have put in significant resources in the opening up of the PRC market for our products. Results have been most encouraging and we do expect our domestic business to grow substantially in the coming year. Together with our export business, we are expecting a strong growth of profits for the coming year.

Whampoa Garment Mfg. (Guangzhou) Co., Ltd. also located in Panyu, the PRC is a compliant factory and it mainly produces high quality knitted items and woven shirts for export. Its customers are mainly overseas renowned brands. The addition of a trousers division in early 2007 has diversified its product lines and provided a good complement to serve our customers' needs. Despite all the unfavourable conditions that are affecting garment manufacturing in the PRC as mentioned previously, we are expecting the factory to continue to be profitable in the coming year.

Guangzhou Top Yield Garment Ltd ("Top Yield"), was established in the latter half of 2006, also located in Panyu, the PRC, and is principally engaged in the manufacturing of knitted items and focuses on the domestic market in the PRC. Like all newly established factories, Top Yield had not been profitable this year. However, with the expansion of our domestic business, we are expecting a better business performance in the coming year.

As Bangladesh is an important area for us in woven shirts production, we entered into a joint venture and set up a small woven shirt factory - Lavender Garment Ltd. ("Lavender") in Bangladesh in early 2007. In addition, we continue to have partnership agreements with other factories in Bangladesh and Lavender is responsible for overseeing the production there. Our products are mainly for the European market.

The operation of our factory in Cambodia remains difficult and although its losses have reduced, management is still closely monitoring the situation and is currently analysing its continued feasibility.

OTHER BUSINESS

Wuxi Talak Investment Co. Ltd. ("Wuxi Talak") in which we have a 49% shareholding is our jointly controlled entity that fully owns several textiles related companies in Wuxi, the PRC, namely Wuxi Changxin Textile Co. Ltd., Wuxi YGM Textile Co., Ltd. and Wuxi Yangtzejiang Textile Co., Ltd. (collectively the "Wuxi Talak Group") The core business of the Wuxi Talak Group is the production of medium range to high end yarn. In view of the relatively higher entry level, this is a less competitive industry and thus the Wuxi Talak Group will be able to maintain a steady market share and high profit margin. Due to the strong Renminbi and a further cut in export tax rebates, we expect a slight drop in profit generated from the textile business in the coming year. The Wuxi Talak Group is expecting to receive compensation in 2008 as consideration for the relocation of one of its factories. This compensation will contribute significant profits to the Wuxi Talak Group.

During the year, we wrote off the loan receivable that Yangtzejiang S.A. ("YSA") owed to Company although we had disposed of our interest in YSA late last year. The loss incurred on disposal of YSA had already been taken into account in our interim report.

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, 2007, the cash and bank balances of the Group were approximately \$80 million (2006: \$44 million). As at 31st March, 2007, the bank borrowings of the Group were approximately \$116 million (2006: \$297 million), of which approximately \$105 million (2006: \$232 million) was short term while approximately \$11 million (2006: \$65 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, 2007 was 5% (2006: 43%). The bank borrowings, including bank loans and overdrafts, are mainly denominated in Hong Kong dollars.

The Group adopts a prudent policy to hedge the fluctuation of foreign 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 foreign exchange contracts to hedge its receivables and payables denominated in foreign currencies against the exchange rate fluctuations, when the exposure is significant.

PLEDGE OF ASSETS

As at 31st March, 2007, the Group had pledged certain assets with carrying values of \$38 million (2006: \$130 million) mainly for security of banking facilities granted to the Group.

EMPLOYMENT AND REMUNERATION POLICIES

As at 31st March, 2007, the Group, including its subsidiaries but excluding its associates and jointly controlled entities, employed approximately of 7,200 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 21,036,868 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, 2007.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied throughout the year ended 31st March, 2007 with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules, except that the non-executive directors were not appointed for a specific term but are subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the Company's articles of association.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises three independent non-executive directors of the Company.

The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and the consolidated financial statements of the Group of the year ended 31st March, 2007.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkex.com.hk under "Latest Listed Companies Information" and the website of the Company at www.ygm.com.hk under "Results Announcement". The annual report for the year ended 31st March, 2007 will be dispatched to the shareholders and published on the above websites in due course.

By Order of the Board

Chan Sui Kau

Chairman

Hong Kong, 20th July, 2007

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.