

MANAGEMENT DISCUSSION AND ANALYSIS 管理層討論與分析

RESULTS OF OPERATIONS

The Group's turnover for the year ended 31st March, 2006 was HK\$1,601 million compared with HK\$1,666 million for the year ended 31st March, 2005. The Group's profit after share of profits less losses of associates and jointly controlled entities and taxation was HK\$28 million compared with last year's profit (restated) of HK\$43 million.

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.

經營業績

本集團截至二零零六年三月三十一日止年度之營業額為16億1百萬港元，比對截至二零零五年三月三十一日止年度之營業額則為16億6千6百萬港元。本集團在計入應佔聯營公司及合營公司溢利減虧損及扣除稅項後之溢利為2千8百萬港元，比對上年度之有關溢利(重列)則為4千3百萬港元。

成衣業務

本集團以長江製衣有限公司之名義經營梭織成衣業務，並以香港織造有限公司之名義經營針織業務。本集團產品包括男仕及女仕恤衫、褲、短褲、馬球襯衫、T恤及毛衣。本集團之香港總部負責本集團整體之銷售及管理。本集團在香港專責成衣貿易業務，並全面控制生產設施，目前縮減至中國及柬埔寨之生產廠房。本集團與中國、孟加拉、印度、緬甸及越南之多間廠房訂有合作協議，而香港辦事處亦負責監督該等廠房之業務往來。

位於中國番禺之卓越織造(廣州)有限公司，其經營之廠房負責全套縱向製衣工序，包括編織、漂染及棉布處理以至成衣製造等工序，主要生產優質絲光棉針織馬球襯衫。業務整體而言表現良好，但如油價繼續上升，則盈利將肯定會於未來一年受到影響。

同樣位於中國番禺之黃浦江製衣(廣州)有限公司已擴充其針織業務環節，藉此成為針織品生產商以及男仕及女仕梭織恤衫生產商。針織業務環節表現良好，並預期將於未來一年進一步擴充。

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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 major 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.

孟加拉仍為本集團在梭織恤衫生產方面之一個重要地區。本集團在當地設有逾十多個已訂立生產協議之廠房。本集團在孟加拉之辦事處聘用逾30名員工，負責監察所有生產工序。本集團產品主要外銷至歐洲市場。於二零零五年年中重新對中國實施配額制度再度突顯出孟加拉業務之重要地位。本集團相信孟加拉為可與中國於成衣業務方面競爭之少數地方之一。事實上，本集團計劃在當地開設一間梭織恤衫廠房，進一步支援本集團於孟加拉之採購基地。

生產成本高、效益低及售價受遏抑，導致本集團於柬埔寨之廠房持續錄得虧損。該廠房之主要產品為休閒服長褲及短褲，而美國為其主要出口市場。雖然生產環境欠佳，但本集團之柬埔寨業務為本集團供應鏈不可缺少之一部份，多年來對香港之成衣銷售部門之業務擴充及收入作出貢獻。

其他業務

於本年度內，本集團已重組於無錫之投資。本集團擁有49%股權之一間新公司無錫長聯投資有限公司已成立。該新公司成為多間紡織相關公司之控股公司，其中主要包括本集團先前於無錫長新紡織有限公司、無錫長江精密紡織有限公司及無錫揚子江精密紡織有限公司之投資。重組交易之詳情已於先前公開宣佈。作出該決定之原因主要考慮到管理效益及效率。本集團於無錫之核心業務維持不變，即生產中檔至高端紗線。由於從事該行業之要求相對較高，因此行業之競爭較低，而該公司將能夠維持穩定之市場佔有率及高邊際利潤。

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In our announcement to shareholders in relation to the restructuring, we indicated that we would account for our investment in Wuxi Talak Investment Co., Ltd., which is considered to be a jointly controlled entity, using the proportionate consolidation method. However, upon preparation of the Group's financial statements for the year ended 31st March, 2006, we have chosen to adopt the equity method of accounting for this investment as we have been advised that the proportionate consolidation method is likely to be removed in the foreseeable future. The choice of accounting method for this investment has no impact on the consolidated profit for the year or consolidated shareholders' equity at 31st March, 2006.

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

本集團就重組而致股東之公佈內，表示本集團對於被視為合營公司無錫長聯投資有限公司之投資將採用比例綜合法入賬。然而，於編製本集團截至二零零六年三月三十一日止年度之財務報表時，本集團獲告知比例綜合法極可能於可見將來撤銷，因此本集團已就該項投資選用股本權益法入賬。就該項投資選用之會計方法不會對於二零零六年三月三十一日之年度綜合溢利或綜合股東權益構成影響。

本集團相信，出售於青海長青鋁業有限公司之投資，以及已訂約出售寶源基業有限公司的事項，均為適時決定。雖然在會計角度而言，該項出售錄得虧損，但實際上本集團之出售價較原先投資價格為高。目前在兩項非成衣相關投資出售後，本集團將專注及全力投放資源於本集團之成衣及紡織相關業務。

YangtzeKiang S.A. 再次錄得年度虧損。該公司之主要業務為成衣進口商，並以市場大眾價格出售產品至超級市場。該類型業務自多年前起已面對劇烈競爭。管理層早已得悉該問題，而事實上本集團多年前收購 JIL 品牌（法國男士內褲品牌）的原因之一為多元化發展邊際利潤更優厚之品牌業務。然而，於過去數年，JIL 亦錄得虧損，主要原因為於遣散冗員時支付巨額補償。然而 JIL 仍然為法國之著名男士內褲品牌，於年內，其產品更已成功進駐多間名店，例如 Galeries LaFayette。在國際業務方面，JIL 亦與日本、希臘及俄羅斯多間公司成功簽訂特許人或分銷協議。

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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 HK\$44 million (2005: HK\$103 million). As at 31st March, 2006, the bank borrowings of the Group were approximately HK\$297 million (2005: HK\$452 million), of which approximately HK\$232 million (2005: HK\$238 million) was short term while approximately HK\$65 million (2005: HK\$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% (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.

流動資金及財務狀況

於回顧期間內，本集團仍以其內部資源及銀行貸款作為營運資金。

於二零零六年三月三十一日，本集團之現金及銀行結餘約為4千4百萬港元（二零零五年：1億3百萬港元）。於二零零六年三月三十一日，本集團之銀行借貸約為2億9千7百萬港元（二零零五年：4億5千2百萬港元），當中約2億3千2百萬港元（二零零五年：2億3千8百萬港元）為短期借貸，約6千5百萬港元（二零零五年：2億1千4百萬港元）為長期借貸。於二零零六年三月三十一日，本集團之資本負債比率（銀行借貸總額扣除現金及銀行結餘後再除以權益總額）為43%（二零零五年（重列）：60%）。銀行借貸包括銀行貸款及透支均以港幣及歐羅為主。

本集團採用審慎政策以對沖匯率波動。本集團大部份業務均主要以港元及美元結算。至於以其他貨幣結算之業務，本集團已就其以外幣結算之應收及應付款訂立若干遠期合約，以對沖外匯波動。

資產抵押

於二零零六年三月三十一日，本集團將若干資產賬面值1億3千萬港元（二零零五年：3億3千9百萬港元）抵押，主要作為授予本集團銀行信貸之擔保。

僱員及薪酬政策

於二零零六年三月三十一日，除聯營公司及合營公司外，本集團（包括其附屬公司）聘用約6,200名僱員。薪酬組合乃參照員工之表現及市場當時之薪金水平而釐定。此外，本集團為僱員提供年終雙薪、公積金計劃、醫療保險及培訓。