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長江製衣有限公司
YANGTZEKIANG GARMENT LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code: 00294)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015**

The Board of Directors of Yangtzekiang Garment Limited (“**the Company**”) would like to announce the unaudited interim results of the Company and its subsidiaries (together referred to as “**the Group**”) and the Group’s interests in associates and joint ventures for the six months ended 30 September 2015 as follows. The interim results have not been audited, but have been reviewed by the Company’s Audit Committee.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS – UNAUDITED
For the six months ended 30 September 2015
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 September	
		2015 \$'000	2014 \$'000
Revenue	3	440,061	494,499
Cost of sales		<u>(364,034)</u>	<u>(417,718)</u>
Gross profit		76,027	76,781
Other revenue		2,352	2,380
Other net income		372	1,091
Selling and distribution expenses		(33,460)	(35,494)
Administrative expenses		(33,536)	(33,634)
Other operating expenses		<u>(7,293)</u>	<u>(8,165)</u>
Profit from operations		4,462	2,959
Finance costs	4(a)	(1,654)	(1,780)
Share of losses of associates		-	(201)
Share of losses of joint ventures		<u>(20,980)</u>	<u>(5,116)</u>
Loss before taxation	4	(18,172)	(4,138)
Income tax	5	<u>(1,098)</u>	<u>(3,567)</u>
Loss for the period		<u><u>(19,270)</u></u>	<u><u>(7,705)</u></u>
Attributable to:			
Equity shareholders of the Company		(19,320)	(7,774)
Non-controlling interests		<u>50</u>	<u>69</u>
Loss for the period		<u><u>(19,270)</u></u>	<u><u>(7,705)</u></u>
Loss per share			
Basic and diluted	7	<u><u>(\$0.09)</u></u>	<u><u>(\$0.04)</u></u>

Details of dividends payable to equity shareholders of the Company are set out in note 6.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME – UNAUDITED**
For the six months ended 30 September 2015
(Expressed in Hong Kong dollars)

	Six months ended 30 September	
	2015	2014
	\$'000	\$'000
Loss for the period	<u>(19,270)</u>	<u>(7,705)</u>
Other comprehensive income for the period (after tax and reclassification adjustments)		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of:		
- financial statements of subsidiaries outside Hong Kong	(4,314)	(52)
- share of associates' and joint ventures' net assets	<u>(20,922)</u>	<u>208</u>
	(25,236)	156
Available-for-sale securities:		
net movement in the investment revaluation reserve	480	403
Cash flow hedges:		
net movement in the hedging reserve	<u>(349)</u>	<u>75</u>
Other comprehensive income for the period	<u>(25,105)</u>	<u>634</u>
Total comprehensive income for the period	<u><u>(44,375)</u></u>	<u><u>(7,071)</u></u>
Attributable to:		
Equity shareholders of the Company	(44,368)	(7,152)
Non-controlling interests	<u>(7)</u>	<u>81</u>
Total comprehensive income for the period	<u><u>(44,375)</u></u>	<u><u>(7,071)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – UNAUDITED

At 30 September 2015

(Expressed in Hong Kong dollars)

	At 30 September 2015 \$'000	At 31 March 2015 \$'000
	<i>Note</i>	
Non-current assets		
Fixed assets		
- Investment properties	213,575	215,196
- Property, plant and equipment	91,533	93,553
- Interest in leasehold land held for own use under operating leases	1,552	1,638
	<u>306,660</u>	<u>310,387</u>
Intangible assets	3,117	3,117
Interests in joint ventures	558,781	600,683
Other financial assets	5,441	7,052
Deferred tax assets	1,712	1,501
	<u>875,711</u>	<u>922,740</u>
Current assets		
Inventories	121,089	108,526
Trade and other receivables	173,363	136,522
Current tax recoverable	5,039	3,799
Cash and cash equivalents	246,406	272,465
	<u>545,897</u>	<u>521,312</u>
Current liabilities		
Trade and other payables	159,008	132,420
Current tax payable	13,460	13,799
	<u>172,468</u>	<u>146,219</u>
Net current assets	<u>373,429</u>	<u>375,093</u>
Total assets less current liabilities	<u>1,249,140</u>	<u>1,297,833</u>
Non-current liabilities		
Provision for long service payments	21,029	19,508
Deferred tax liabilities	18,847	18,484
	<u>39,876</u>	<u>37,992</u>
NET ASSETS	<u>1,209,264</u>	<u>1,259,841</u>
CAPITAL AND RESERVES		
Share capital	208,418	208,418
Reserves	993,673	1,044,243
Total equity attributable to equity shareholders of the Company	<u>1,202,091</u>	<u>1,252,661</u>
Non-controlling interests	7,173	7,180
TOTAL EQUITY	<u>1,209,264</u>	<u>1,259,841</u>

Notes:

(Expressed in Hong Kong dollars)

1. BASIS OF PREPARATION

The unaudited interim financial results have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange"), including compliance with Hong Kong Accounting Standard ("HKAS") 34 *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 27 November 2015.

The interim financial results have been prepared in accordance with the same accounting policies adopted in the annual financial statements of the Group for the year ended 31 March 2015, except for the accounting policy changes that are expected to be reflected in the annual financial statements of the Group for the year ending 31 March 2016. Details of these changes in accounting policies are set out in note 2.

The preparation of interim financial results in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial results contain consolidated statement of financial position as at 30 September 2015 and the related consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income for the six months period then ended and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements of the Group for the year ended 31 March 2015. This interim financial results do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial results are unaudited, but have been reviewed by the Company's Audit Committee.

The financial information relating to the financial year ended 31 March 2015 that is included in the interim financial results as comparative information does not constitute the Company's statutory annual consolidation financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 March 2015 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group.

- *Annual Improvements to HKFRSs 2010-2012 Cycle*
- *Annual Improvements to HKFRSs 2011-2013 Cycle*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. SEGMENT REPORTING

The Group manages its business by divisions. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments:

- Manufacture and sale of garments and textiles: this segment covers the manufacture and sale of garment and textile products, and provision of garment processing services.
- Interests in joint ventures: the Group's joint ventures engage in the manufacture and sale of textile yarn products.
- Property leasing: this segment leases commercial and industrial premises to generate rental income.

(a) **Information about profit or loss, assets and liabilities**

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below:

	Manufacture and sale of garments and textiles		Interests in joint ventures		Property leasing		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
For the six months ended 30 September								
Revenue from external customers	435,398	489,529	-	-	4,663	4,970	440,061	494,499
Inter-segment revenue	-	-	-	-	871	1,130	871	1,130
Reportable segment revenue	435,398	489,529	-	-	5,534	6,100	440,932	495,629
Reportable segment profit/(loss) (adjusted EBITDA)	6,217	3,999	(20,980)	(5,116)	4,926	5,487	(9,837)	4,370
	30 September 2015	31 March 2015	30 September 2015	31 March 2015	30 September 2015	31 March 2015	30 September 2015	31 March 2015
Reportable segment assets	632,710	611,799	558,781	600,683	286,513	288,134	1,478,004	1,500,616
Additions to non-current segment assets during the period	4,638	11,166	-	-	-	-	4,638	11,166
Reportable segment liabilities	177,205	149,805	-	-	-	-	177,205	149,805

The measure used for reporting segment profit/(loss) is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation", where "interest" is regarded as including investment income and finance cost and "depreciation and amortisation" is regarded as including impairment losses on non-current assets. To arrive at "adjusted EBITDA", the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as share of profits less losses of associates, directors' and auditors' remuneration and other head office or corporate administration costs.

(b) Reconciliations of reportable segment profit or loss

	Six months ended 30 September	
	2015 \$'000	2014 \$'000
Reportable segment (loss)/profit derived from		
Group's external customers (adjusted EBITDA)	(9,837)	4,370
Finance costs	(1,654)	(1,780)
Share of losses of associates	-	(201)
Other revenue and net income	2,724	3,471
Depreciation and amortisation	(5,351)	(6,036)
Unallocated head office and corporate expenses	(4,054)	(3,962)
Consolidated loss before taxation	<u>(18,172)</u>	<u>(4,138)</u>

(c) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's fixed assets, intangible assets, goodwill, interests in associates and joint ventures ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of fixed assets, the location of the operation to which they are allocated, in the case of intangible assets and goodwill, and the location of operations, in the case of interests in associates and joint ventures.

	Revenue from external customers		Specified non-current assets	
	Six months ended		30 September 2015 \$'000	31 March 2015 \$'000
	30 September 2015 \$'000	2014 \$'000		
Hong Kong (place of domicile)	<u>28,287</u>	<u>31,938</u>	<u>217,296</u>	<u>217,261</u>
Europe				
- United Kingdom	69,406	83,906	-	-
- Italy	68,562	68,421	-	-
- Spain	40,324	53,460	-	-
- Other European countries	65,191	57,240	-	-
Mainland China	51,311	47,328	637,017	683,321
North America				
- United States	69,092	62,027	-	-
- Canada	2,334	1,928	-	-
Others	45,554	88,251	14,245	13,605
	<u>411,774</u>	<u>462,561</u>	<u>651,262</u>	<u>696,926</u>
	<u>440,061</u>	<u>494,499</u>	<u>868,558</u>	<u>914,187</u>

4. LOSS BEFORE TAXATION

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

	Six months ended 30 September	
	2015	2014
	\$'000	\$'000
(a) Finance costs		
Interest on bank loans (including bank charges)	<u>1,654</u>	<u>1,780</u>
(b) Other items		
Amortisation of pre-paid interests in leasehold land	30	30
Depreciation	5,321	6,006
Dividends income and interest income	<u>(1,355)</u>	<u>(1,780)</u>

5. INCOME TAX

Income tax in the consolidated statement of profit or loss represents:

	Six months ended 30 September	
	2015	2014
	\$'000	\$'000
Current tax	780	2,754
Deferred tax relating to the origination and reversal of temporary differences	<u>318</u>	<u>813</u>
	<u>1,098</u>	<u>3,567</u>

The provision for Hong Kong Profits Tax for 2015 is calculated at 16.5% (2014: 16.5%) of the estimated assessable profits for the period.

Taxation for subsidiaries outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

6. DIVIDENDS

(a) Dividends payable to equity shareholders of the Company attributable to the interim period:

No interim dividend declared and paid after the interim period end (2014: nil).

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved during the interim period:

Final dividend of \$0.03 per ordinary share in respect of the year ended 31 March 2015 amounted to \$6,202,000 was approved in the Company's Annual General Meeting on 16 September 2015. The dividends were paid on 5 October 2015. At 30 September 2015, the amount of dividends payable was included in trade and other payables in the consolidated statement of financial position.

Final dividend of \$0.03 per ordinary share in respect of the year ended 31 March 2014 amounted to \$6,202,000 was approved during the period ended 30 September 2014 and paid on 6 October 2014.

7. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of \$19,320,000 (2014: \$7,774,000) and 206,748,000 (2014: 206,748,000) ordinary shares in issue during the period.

(b) Diluted loss per share

The diluted loss per share is the same as the basic loss per share as there were no dilutive potential ordinary shares in existence during the periods ended 30 September 2015 and 2014.

8. TRADE AND OTHER RECEIVABLES

As of the end of the reporting period, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables), based on the invoice date and net of allowance for doubtful debts, is as follows:

	30 September 2015 \$'000	31 March 2015 \$'000
Within 1 month	52,812	42,819
1 to 2 months	48,291	33,219
2 to 3 months	25,514	27,597
3 to 4 months	4,249	1,942
Over 4 months	10,266	6,167
Trade debtors and bills receivable, net of allowance for doubtful debts	141,132	111,744
Deposits, prepayments and other debtors	27,536	20,976
Amounts due from related companies	4,451	3,149
Amounts due from joint ventures	-	105
Amount due from an associate	17	17
Derivative financial instruments held as cash flow hedging instruments	227	531
	<u>173,363</u>	<u>136,522</u>

Substantially all of the Group's trade and other receivables are expected to be recovered or recognised as an expense within one year.

Trade debtors and bills receivable are due between 0 to 120 days from the date of billing.

The amounts due from related companies, joint ventures and an associate are unsecured, interest-free and recoverable on demand.

9. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade creditors and bills payable with the following ageing analysis, based on the invoice date, as of the end of the reporting period:

	30 September 2015 \$'000	31 March 2015 \$'000
Within 1 month	44,245	32,720
1 to 2 months	26,027	16,126
2 to 3 months	8,692	18,902
Over 3 months	6,181	7,694
Trade creditors and bills payable	85,145	75,442
Accrued charges and other creditors	65,856	56,367
Dividends payable	6,202	-
Amounts due to related companies	329	378
Amounts due to joint ventures	1,264	13
Amount due to an associate	212	220
	<u>159,008</u>	<u>132,420</u>

INTERIM DIVIDEND

The Board has resolved not to declare the payment of interim dividend for the six months ended 30 September 2015 (2014: nil).

BUSINESS REVIEW AND PROSPECTS

	Six months ended		Increase/(decrease) HK\$'000
	2015 HK\$'000	2014 HK\$'000	
Revenue	440,061	494,499	(54,438)
Gross profit	76,027	76,781	(754)
Gross profit margin	17%	16%	
Profit from operations	4,462	2,959	1,503
Share of losses of joint ventures	(20,980)	(5,116)	(15,864)
Loss for the period	(19,270)	(7,705)	(11,565)

During the six months under review, our Group recorded an overall loss of HK\$19,270,000 as compared with a loss of HK\$7,705,000 for the same period last year. The substantial negative result was mainly due to the huge loss of our joint ventures in Wuxi, China. Our core garment business, as a matter of fact, fared better than same period last year with a profit of HK\$4,462,000 - an increase of 51% (2014: HK\$2,959,000).

Our Bangladesh operation had been stable and recorded positive results for the first six months under review. The management, however, expects the profits for the financial year to be less than last year due to the continual weak Euro and tight profit margins.

Our Myanmar operation which started more than a year ago still incurred a loss for the first six months. With steady improvements in the operation, the management expects the operation will perform better than last year. Our garment manufacturing operation in China has continued to cut down losses.

The interim result of our joint ventures in Wuxi, China recorded a loss of HK\$20,980,000 while same period last year the loss was HK\$5,116,000. The reasons for the adverse results had already been stated in the profit warning announcements published on 12 November 2015. The management is hopeful that the results of the second half of the year will be less volatile.

The Board is hopeful that our core garment business will remain profitable but the negative results of our Wuxi investment will continue to have significant impact on our overall results.

LIQUIDITY AND FINANCIAL POSITION

During the period under review, the Group's operations continued to be mainly financed by the internal resources.

As at 30 September 2015, the cash and bank balances of the Group were approximately HK\$246,406,000 (as at 31 March 2015: HK\$272,465,000). As at 30 September 2015 and 31 March 2015, the Group did not have any short term borrowings and long term borrowings.

The Group adopts a prudent policy to hedge the fluctuation of foreign exchange rates. As most of the Group's sales, purchases, cash and bank balances are denominated in Hong Kong dollars, United States dollars, Euros, Pound Sterling or Renminbi, the Group may enter into forward foreign exchange contracts to hedge its receivables and payables denominated in the above foreign currencies against the exchange rate fluctuation when the exposure is significant. As at 30 September 2015, the Group has foreign exchange contracts hedging forecast transactions with a net fair value of HK\$227,000 (as at 31 March 2015: HK\$531,000), recognised as derivative financial assets.

During the period, the Group spent approximately HK\$4,638,000 in additions and replacement of fixed assets, compared to HK\$8,842,000 for the same period last year.

PLEDGE OF ASSETS

As at 30 September 2015, none of the assets of the Group was pledged.

EMPLOYMENT AND REMUNERATION POLICIES

As at 30 September 2015, the Group, including its subsidiaries but excluding its associates and joint ventures, employed approximately of 4,000 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.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the period ended 30 September 2015.

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 four 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 unaudited interim financial statements of the Group for the period ended 30 September 2015.

CORPORATE GOVERNANCE PRACTICES

The Company has complied throughout the period ended 30 September 2015 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.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a Securities Dealing Code regarding director's securities transactions on terms no less exacting than required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules. All directors have confirmed, upon specific enquiry by the Company, that they have complied with the required standard set out in the Model Code and the Securities Dealing Code throughout the period under review.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

The results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.ygm.com.hk under "Results Announcement". The interim report for the six months ended 30 September 2015 will be dispatched to the shareholders and published on the above websites in due course.

By Order of the Board
Yangtzekiang Garment Limited
Chan Wing Fui, Peter
Chairman

Hong Kong, 27 November 2015

As at the date of this announcement, the Board consists of eight executive directors, namely Dr. Chan Sui Kau, Mr. Chan Wing Fui, Peter, Mr. Chan Wing Kee, Mr. Chan Wing To, Madam Chan Suk Man, Mr. Chan Wing Sun, Samuel, Madam Chan Suk Ling, Shirley and Mr. So Ying Woon, Alan and four independent non-executive directors, namely Mr. Leung Hok Lim, Mr. Lin Keping, Mr. Sze Cho Cheung, Michael and Mr. Choi Ting Ki.