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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 2016**

The Board of Directors of Yangtzekiang Garment Limited (“the Company”) hereby announces the unaudited interim results of the Company and its subsidiaries (together referred to as “the Group”) and the Group’s interests in joint ventures for the six months ended 30 September 2016 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 2016

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 September	
		2016 \$'000	2015 \$'000
Revenue	3	350,947	440,061
Cost of sales		<u>(286,710)</u>	<u>(364,034)</u>
Gross profit		64,237	76,027
Other income		2,878	2,724
Selling and distribution expenses		(29,185)	(33,460)
Administrative expenses		(32,073)	(33,536)
Other operating expenses		<u>(7,037)</u>	<u>(7,293)</u>
(Loss)/profit from operations		(1,180)	4,462
Finance costs	4(a)	(1,389)	(1,654)
Share of losses of joint ventures		(659)	(20,980)
Gain on deregistration of a subsidiary		<u>12,838</u>	<u>-</u>
Profit/(loss) before taxation	4	9,610	(18,172)
Income tax	6	<u>(1,065)</u>	<u>(1,098)</u>
Profit/(loss) for the period		<u><u>8,545</u></u>	<u><u>(19,270)</u></u>
Attributable to:			
Equity shareholders of the Company		9,330	(19,320)
Non-controlling interests		<u>(785)</u>	<u>50</u>
Profit/(loss) for the period		<u><u>8,545</u></u>	<u><u>(19,270)</u></u>
Earnings/(loss) per share			
Basic and diluted	8	<u><u>\$0.05</u></u>	<u><u>(\$0.09)</u></u>

Details of dividends payable to equity shareholders of the Company attributable to the period are set out in note 7.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME – UNAUDITED**
For the six months ended 30 September 2016
(Expressed in Hong Kong dollars)

	Six months ended 30 September	
	2016	2015
	\$'000	\$'000
Profit/(loss) for the period	8,545	(19,270)
Other comprehensive income for the period (after tax and reclassification adjustments)		
<i>Items that are or may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of:		
- financial statements of subsidiaries outside Hong Kong	(3,531)	(4,314)
- share of joint ventures' net assets	(16,017)	(20,922)
	(19,548)	(25,236)
Exchange differences on transfer of accumulated exchange differences to profit or loss on deregistration of a subsidiary	(12,838)	-
Available-for-sale securities:		
net movement in the investment revaluation reserve	1,350	480
Cash flow hedges:		
net movement in the hedging reserve	2,482	(349)
Other comprehensive income for the period	(28,554)	(25,105)
Total comprehensive income for the period	(20,009)	(44,375)
Attributable to:		
Equity shareholders of the Company	(19,224)	(44,368)
Non-controlling interests	(785)	(7)
Total comprehensive income for the period	(20,009)	(44,375)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – UNAUDITED

At 30 September 2016

(Expressed in Hong Kong dollars)

	At 30 September 2016 \$'000	At 31 March 2016 \$'000
	<i>Note</i>	
Non-current assets		
Investment properties	232,158	233,506
Other property, plant and equipment	77,695	82,368
Interest in leasehold land held for own use under operating leases	<u>1,425</u>	<u>1,496</u>
	311,278	317,370
Intangible assets	3,223	3,270
Interests in joint ventures	518,223	541,095
Other financial assets	5,600	4,250
Deferred tax assets	<u>1,651</u>	<u>1,687</u>
	..... 839,975	..... 867,672
Current assets		
Inventories	98,159	79,482
Trade and other receivables	9 133,445	121,667
Current tax recoverable	1,632	804
Cash and cash equivalents	<u>292,044</u>	<u>311,644</u>
	..... 525,280	..... 513,597
Current liabilities		
Trade and other payables	10 133,920	109,977
Current tax payable	<u>14,730</u>	<u>14,668</u>
	..... 148,650	..... 124,645
Net current assets	<u>376,630</u>	<u>388,952</u>
Total assets less current liabilities	..... 1,216,605	..... 1,256,624
Non-current liabilities		
Provision for long service payments	21,774	21,673
Deferred tax liabilities	<u>17,856</u>	<u>17,292</u>
	..... 39,630	..... 38,965
NET ASSETS	<u>1,176,975</u>	<u>1,217,659</u>
CAPITAL AND RESERVES		
Share capital	208,418	208,418
Reserves	<u>962,658</u>	<u>1,002,557</u>
Total equity attributable to equity shareholders of the Company	1,171,076	1,210,975
Non-controlling interests	<u>5,899</u>	<u>6,684</u>
TOTAL EQUITY	<u>1,176,975</u>	<u>1,217,659</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 28 November 2016.

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 2016, 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 2017. 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 2016 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 2016. 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 2016 that is included in the interim financial results as comparative information does not constitute the Company's statutory annual consolidated 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 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on these financial statements for the year ended 31 March 2016. 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 a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

- *Annual Improvements to HKFRSs 2012-2014 Cycle*
- *Amendments to HKAS 1, Presentation of Financial Statements: Disclosure Initiative*

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

Annual Improvements to HKFRSs 2012-2014 Cycle

This cycle of annual improvements contains amendments to four standards. Among them, HKAS 34, *Interim financial reporting*, has been amended to clarify that if an entity discloses the information required by the standard outside the interim financial statements by a cross-reference to the information in another statement of the interim financial report, then users of the interim financial statements should have access to the information incorporated by the cross-reference on the same terms and at the same time. The amendments do not have an impact on the Group's interim financial results as the Group does not present the relevant required disclosures outside the interim financial statements.

Amendments to HKAS 1, Presentation of Financial Statements: Disclosure Initiative

The amendments to HKAS 1 introduce narrow-scope changes to various presentation requirements. The amendments do not have a material impact on the presentation and disclosure of the Group's interim financial results.

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	
	2016	2015	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
For the six months ended 30 September								
Revenue from external customers	346,545	435,398	-	-	4,402	4,663	350,947	440,061
Inter-segment revenue	-	-	-	-	871	871	871	871
Reportable segment revenue	346,545	435,398	-	-	5,273	5,534	351,818	440,932
Reportable segment profit/(loss) (adjusted EBITDA)	11,856	5,960	(659)	(20,980)	5,052	5,298	16,249	(9,722)
	30 September 2016	31 March 2016	30 September 2016	31 March 2016	30 September 2016	31 March 2016	30 September 2016	31 March 2016
Reportable segment assets	601,546	595,786	518,223	541,095	312,643	313,992	1,432,412	1,450,873
Additions to non-current segment assets during the period	980	5,911	-	-	-	-	980	5,911
Reportable segment liabilities	153,256	127,300	-	-	-	-	153,256	127,300

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/losses are further adjusted for items not specifically attributed to individual segments, such as auditors' remuneration and other head office or corporate administration costs.

(b) Reconciliations of reportable segment profit or loss

	Six months ended 30 September	
	2016	2015
	\$'000	\$'000
Reportable segment profit/(loss) derived from		
Group's external customers (adjusted EBITDA)	16,249	(9,722)
Finance costs	(1,389)	(1,654)
Interest income	760	890
Depreciation and amortisation	(4,460)	(5,351)
Unallocated head office and corporate expenses	(1,550)	(2,335)
Consolidated profit/(loss) before taxation	<u>9,610</u>	<u>(18,172)</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 investment properties, other property, plant and equipment and interest in leasehold land held for own use under operating leases, intangible assets and interests in 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 investment properties, other property, plant and equipment and interest in leasehold land held for own use under operating leases, the location of the operation to which they are allocated, in the case of intangible assets, and the location of operations, in the case of interests in joint ventures.

	Revenue from		Specified	
	external customers		non-current assets	
	Six months ended 30 September		30 September	31 March
	2016	2015	2016	2016
	\$'000	\$'000	\$'000	\$'000
Hong Kong (place of domicile)	23,145	28,287	233,196	234,641
Europe				
- United Kingdom	62,733	69,406	-	-
- Italy	68,301	68,562	-	-
- Spain	30,423	40,324	-	-
- Other European countries	48,352	65,191	-	-
Mainland China	24,729	51,311	585,274	612,353
North America				
- United States	56,995	69,092	-	-
- Canada	1,813	2,334	-	-
Others	34,456	45,554	14,254	14,741
	<u>327,802</u>	<u>411,774</u>	<u>599,528</u>	<u>627,094</u>
	<u>350,947</u>	<u>440,061</u>	<u>832,724</u>	<u>861,735</u>

4. PROFIT/(LOSS) BEFORE TAXATION

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

	Six months ended 30 September	
	2016	2015
	\$'000	\$'000
(a) Finance costs		
Interest on bank loans (including bank charges)	<u>1,389</u>	<u>1,654</u>
(b) Other items		
Amortisation of pre-paid interests in leasehold land	28	30
Amortisation of intangible assets	47	-
Depreciation	4,385	5,321
Dividends income and interest income	(1,246)	(1,355)
Gain on deregistration of a subsidiary (Note 5)	<u>(12,838)</u>	<u>-</u>

5. GAIN ON DEREGISTRATION OF A SUBSIDIARY

On 23 June 2016, a wholly owned subsidiary of the Group, Whampoa Garment Manufacturing (Guangzhou) Co., Ltd., was deregistered and the one-off non-cash gain of \$12,838,000 arising from the release of exchange reserve was recognised in profit or loss for the six months ended 30 September 2016.

6. INCOME TAX

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

	Six months ended 30 September	
	2016	2015
	\$'000	\$'000
Current tax - Hong Kong Profits Tax	456	644
Current tax - Overseas	451	136
Deferred tax relating to the origination and reversal of temporary differences	158	318
	<u>1,065</u>	<u>1,098</u>

The provision for Hong Kong Profits Tax for 2016 is calculated at 16.5% (2015: 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 countries.

7. 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 (2015: nil).

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

Final dividend of \$0.10 per ordinary share in respect of the year ended 31 March 2016 amounted to \$20,675,000 was approved in the Company's Annual General Meeting on 14 September 2016. The dividends were paid on 3 October 2016. At 30 September 2016, 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 2015 amounted to \$6,202,000 was approved during the period ended 30 September 2015 and paid on 5 October 2015.

8. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to ordinary equity shareholders of the Company of \$9,330,000 (2015: loss of \$19,320,000) and 206,748,000 (2015: 206,748,000) ordinary shares in issue during the period.

(b) Diluted earnings/(loss) per share

The diluted earnings/(loss) per share is the same as the basic earnings/(loss) per share as there were no dilutive potential ordinary shares in existence during the periods ended 30 September 2016 and 2015.

9. 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	31 March
	2016	2016
	\$'000	\$'000
Within 1 month	29,232	38,242
Over 1 month but within 2 months	39,876	17,365
Over 2 months but within 3 months	16,606	34,254
Over 3 months but within 4 months	6,555	4,550
Over 4 months	6,886	4,528
Trade debtors and bills receivable, net of allowance for doubtful debts	99,155	98,939
Deposits, prepayments and other debtors	27,202	20,392
Amounts due from related companies	4,651	2,319
Amount due from an associate	17	17
Derivative financial instruments held as cash flow hedging instruments	2,420	-
	133,445	121,667

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 and an associate are unsecured, interest-free and recoverable on demand except for those trade related items under normal trade terms.

10. 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	31 March
	2016	2016
	\$'000	\$'000
Within 1 month	32,436	34,387
Over 1 month but within 2 months	20,916	14,259
Over 2 months but within 3 months	6,251	10,431
Over 3 months	2,888	2,168
Trade creditors and bills payable	62,491	61,245
Accrued charges and other creditors	50,319	47,483
Dividends payable	20,675	-
Amounts due to related companies	219	356
Amounts due to joint ventures	13	13
Amount due to an associate	203	209
Derivative financial instruments held as cash flow hedging instruments	-	671
	133,920	109,977

INTERIM DIVIDEND

The Board has resolved not to declare the payment of interim dividend for the six months ended 30 September 2016 (2015: nil).

BUSINESS REVIEW AND PROSPECTS

	Six months ended		
	30 September		
	2016	2015	+/-
	HK\$'000	HK\$'000	Change
Revenue	350,947	440,061	-20%
Gross profit	64,237	76,027	-16%
Gross profit margin	18%	17%	+1pp
(Loss)/profit from operations	(1,180)	4,462	-126%
Operating margin	0%	1%	-1pp
Profit/(loss) attributable to equity shareholders of the Company	9,330	(19,320)	148%
Net profit margin	3%	-4%	+7pp
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	15,459	(11,167)	238%
EBITDA margin	4%	-3%	+7pp
Earnings/(loss) per share - basic	\$0.05	(\$0.09)	156%

During the six months under review, our company recorded an overall profit of HK\$8,545,000 as compared with a loss of HK\$19,270,000 for the same period last year. The positive result as stated in our Positive Profit Alert published on 14 November 2016 is mainly attributable to two factors – first being a significant decrease in share of losses of joint ventures of the Group and the second being the recognition of the one-off non-cash gain arising from the release of exchange reserve upon the deregistration of a subsidiary.

Our Bangladesh's business has been stable. During the period under review, the factory invested substantially in the improvement of its fire and electrical safety as well as its building structural safety in order to meet the compliance of the government and our clients, the management expects a breakeven result at the financial year end.

Our Myanmar operation for the first half of the year had incurred a loss due mainly to some quality issues. As the issues have been rectified and production is back to normal, we expect the loss would be minimised by the end of the financial year.

Due to some non-recurring loss as well as a drop of business from our major clients, our China operation reported a loss for the first half of the year. The management will strive to improve its performance and find ways and means to minimise its loss by year end.

The interim result of our joint ventures in Wuxi, China has improved substantially as compared to the same period last year. Adjusted product mix in line with market demands and cotton utilised for production were purchased at lower prices attributed to the better results. Barring unforeseen circumstances, Wuxi group is expected to breakeven during the remaining financial year.

Our core garment business for the first half of the year under review recorded a loss when same period last year we had a profit. Main reason was a drop of revenue despite an increase of our gross profit margin and reduction of our selling, distribution and operation expenses. Garment business remains soft. The weak Euro and pound sterling couple with the uncertainties of the market after Brexit and the U.S. election make it even more difficult to forecast the outcome of the year for our core garment business. It is hoped that with great improvement of our Wuxi investment's performance as well as some non-recurring income, the positive results shall prevail through the end of the financial year.

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 2016, the cash and bank balances of the Group were approximately HK\$292,044,000 (as at 31 March 2016: HK\$311,644,000). As at 30 September 2016 and 31 March 2016, 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 2016, the Group has forward foreign exchange contracts hedging forecast transactions with a net fair value of HK\$2,420,000, recognised as derivative financial assets (as at 31 March 2016: HK\$671,000, recognised as derivative financial liabilities).

During the period, the Group spent approximately HK\$980,000 in additions and replacement of other property, plant and equipment, compared to HK\$4,638,000 for the same period last year.

PLEDGE OF ASSETS

As at 30 September 2016, none of the assets of the Group was pledged.

EMPLOYMENT AND REMUNERATION POLICIES

As at 30 September 2016, the Group, including its subsidiaries but excluding its associate and joint ventures, employed approximately of 3,900 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 2016.

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 2016.

CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied throughout the period ended 30 September 2016 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 2016 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, 28 November 2016

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.