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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 2017**

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 2017 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 2017
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 September	
		2017 \$'000	2016 \$'000
Revenue	3	314,747	350,947
Cost of sales		<u>(259,140)</u>	<u>(286,710)</u>
Gross profit		55,607	64,237
Other income		7,872	2,878
Selling and distribution expenses		(27,413)	(29,185)
Administrative expenses		(31,181)	(32,073)
Other operating expenses		<u>(7,749)</u>	<u>(7,037)</u>
Loss from operations		(2,864)	(1,180)
Finance costs	4(a)	(1,758)	(1,389)
Share of profits/(losses) of joint ventures		5,632	(659)
Gain on deregistration of a subsidiary	5	<u>-</u>	<u>12,838</u>
Profit before taxation	4	1,010	9,610
Income tax	6	<u>(3,776)</u>	<u>(1,065)</u>
(Loss)/profit for the period		<u><u>(2,766)</u></u>	<u><u>8,545</u></u>
Attributable to:			
Equity shareholders of the Company		(2,148)	9,330
Non-controlling interests		<u>(618)</u>	<u>(785)</u>
(Loss)/profit for the period		<u><u>(2,766)</u></u>	<u><u>8,545</u></u>
(Loss)/earnings per share			
Basic and diluted	8	<u><u>(\$0.01)</u></u>	<u><u>\$0.05</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 2017
(Expressed in Hong Kong dollars)

	Six months ended 30 September	
	2017	2016
	\$'000	\$'000
(Loss)/profit for the period	(2,766)	8,545
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	3,814	(3,531)
- share of joint ventures' net assets	21,920	(16,017)
	<u>25,734</u>	<u>(19,548)</u>
Release of exchange reserve to profit or loss upon deregistration of a subsidiary	-	(12,838)
Available-for-sale securities:		
net movement in the investment revaluation reserve	(1,353)	1,350
Cash flow hedges:		
net movement in the hedging reserve	(2,420)	2,482
Other comprehensive income for the period	<u>21,961</u>	<u>(28,554)</u>
Total comprehensive income for the period	<u><u>19,195</u></u>	<u><u>(20,009)</u></u>
Attributable to:		
Equity shareholders of the Company	19,929	(19,224)
Non-controlling interests	(734)	(785)
Total comprehensive income for the period	<u><u>19,195</u></u>	<u><u>(20,009)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – UNAUDITED

At 30 September 2017

(Expressed in Hong Kong dollars)

	At 30 September 2017 \$'000	At 31 March 2017 \$'000
	<i>Note</i>	
Non-current assets		
Investment properties	221,481	220,579
Other property, plant and equipment	63,297	65,146
Interest in leasehold land held for own use under operating leases	<u>1,382</u>	<u>1,353</u>
	286,160	287,078
Intangible assets	3,128	3,175
Interests in joint ventures	528,011	513,385
Other financial assets	4,486	5,731
Deferred tax assets	<u>2,439</u>	<u>1,754</u>
	<u>824,224</u>	<u>811,123</u>
Current assets		
Inventories	98,170	68,168
Trade and other receivables	9 145,057	138,839
Current tax recoverable	1,169	1,169
Cash and cash equivalents	<u>302,398</u>	<u>313,489</u>
	<u>546,794</u>	<u>521,665</u>
Current liabilities		
Trade and other payables	10 140,117	105,568
Current tax payable	<u>21,172</u>	<u>19,152</u>
	<u>161,289</u>	<u>124,720</u>
Net current assets	<u>385,505</u>	<u>396,945</u>
Total assets less current liabilities	<u>1,209,729</u>	<u>1,208,068</u>
Non-current liabilities		
Provision for long service payments	22,256	20,407
Deferred tax liabilities	<u>16,501</u>	<u>15,209</u>
	<u>38,757</u>	<u>35,616</u>
NET ASSETS	<u>1,170,972</u>	<u>1,172,452</u>
CAPITAL AND RESERVES		
Share capital	208,418	208,418
Reserves	<u>960,416</u>	<u>961,162</u>
Total equity attributable to equity shareholders of the Company	<u>1,168,834</u>	<u>1,169,580</u>
Non-controlling interests	<u>2,138</u>	<u>2,872</u>
TOTAL EQUITY	<u>1,170,972</u>	<u>1,172,452</u>

Notes:

(Expressed in Hong Kong dollars)

1. BASIS OF PREPARATION

This 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 29 November 2017.

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 2017, 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 2018. 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.

The interim financial results contain consolidated statement of financial position as at 30 September 2017 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 2017. 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 2017 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 2017 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 2017. 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 several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in this interim financial report.

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	
	2017	2016	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
For the six months ended 30 September								
Revenue from external customers	310,695	346,545	-	-	4,052	4,402	314,747	350,947
Inter-segment revenue	-	-	-	-	658	871	658	871
Reportable segment revenue	310,695	346,545	-	-	4,710	5,273	315,405	351,818
Reportable segment profit/(loss) (adjusted EBITDA)	(2,980)	(982)	5,632	(659)	4,446	5,052	7,098	3,411
	30 September	31 March	30 September	31 March	30 September	31 March	30 September	31 March
	2017	2017	2017	2017	2017	2017	2017	2017
Reportable segment assets	609,476	586,166	528,011	513,385	281,307	280,405	1,418,794	1,379,956
Additions to non-current segment assets during the period	1,717	4,302	-	-	-	-	1,717	4,302
Reportable segment liabilities	158,317	121,918	-	-	-	-	158,317	121,918

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 net valuation gains on investment properties, auditors' remuneration and other head office or corporate administration costs.

(b) Reconciliations of reportable segment profit or loss

	Six months ended 30 September	
	2017	2016
	\$'000	\$'000
Reportable segment profit derived from Group's external customers (adjusted EBITDA)	7,098	3,411
Finance costs	(1,758)	(1,389)
Interest income	505	760
Depreciation and amortisation	(2,748)	(4,460)
Gain on deregistration of a subsidiary	-	12,838
Unallocated head office and corporate expenses	(2,086)	(1,550)
Consolidated profit before taxation	<u>1,011</u>	<u>9,610</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, 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 external customers		Specified non-current assets	
	Six months ended 30 September		30 September	31 March
	2017	2016	2017	2017
	\$'000	\$'000	\$'000	\$'000
Hong Kong (place of domicile)	20,054	23,145	242,488	243,875
Europe				
- United Kingdom	44,104	62,733	-	-
- Italy	65,770	68,301	-	-
- Spain	31,188	30,423	-	-
- Other European countries	46,661	48,352	-	-
Mainland China	21,584	24,729	564,374	550,031
North America				
- United States	45,054	56,995	-	-
- Canada	2,071	1,813	-	-
Others	38,261	34,456	10,437	9,732
	<u>294,693</u>	<u>327,802</u>	<u>574,811</u>	<u>559,763</u>
	<u>314,747</u>	<u>350,947</u>	<u>817,299</u>	<u>803,638</u>

4. PROFIT BEFORE TAXATION

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

	Six months ended 30 September	
	2017	2016
	\$'000	\$'000
(a) Finance costs		
Interest on bank loans (including bank charges)	<u>1,758</u>	<u>1,389</u>
(b) Other items		
Amortisation of pre-paid interests in leasehold land	28	28
Amortisation of intangible assets	47	47
Depreciation	2,673	4,385
Dividends income and interest income	(1,022)	(1,246)
(Gain)/loss on disposal of other property, plant and equipment	(3,659)	593
Gain on deregistration of a subsidiary (Note 5)	-	(12,838)

5. GAIN ON DEREGISTRATION OF A SUBSIDIARY

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

6. INCOME TAX

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

	Six months ended 30 September	
	2017	2016
	\$'000	\$'000
Current tax - Hong Kong Profits Tax	1,390	456
Current tax - Overseas	1,261	451
Deferred tax relating to the origination and reversal of temporary differences	1,125	158
	<u>3,776</u>	<u>1,065</u>

The provision for Hong Kong Profits Tax for 2017 is calculated at 16.5% (2016: 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 (2016: 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 2017 amounted to \$20,675,000 was approved in the Company's Annual General Meeting on 20 September 2017. The dividends were paid on 12 October 2017. At 30 September 2017, the amount of dividends payable was included in trade and other payables in the consolidated statement of financial position.

Final dividend of \$0.10 per ordinary share in respect of the year ended 31 March 2016 amounted to \$20,675,000 was approved during the period ended 30 September 2016 and paid on 3 October 2016.

8. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of \$2,148,000 (2016: profit of \$9,330,000) and the weighted average number of 206,748,000 (2016: 206,748,000) ordinary shares in issue during the period.

(b) Diluted (loss)/earnings per share

The diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share as there were no dilutive potential ordinary shares in existence during the periods ended 30 September 2017 and 2016.

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
	2017	2017
	\$'000	\$'000
Within 1 month	36,958	57,146
Over 1 month but within 2 months	36,958	23,613
Over 2 months but within 3 months	14,298	20,857
Over 3 months but within 4 months	11,129	5,837
Over 4 months	4,625	9,186
Trade debtors and bills receivable, net of allowance for doubtful debts	103,968	116,639
Deposits, prepayments and other debtors	34,855	17,493
Amounts due from related companies	6,217	4,596
Amount due from an associate	17	17
Derivative financial instruments	-	94
	145,057	138,839

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

As of the end of the reporting period, the ageing analysis of trade creditors and bills payable (which are included in trade and other payables), based on the invoice date, is as follows:

	30 September	31 March
	2017	2017
	\$'000	\$'000
Within 1 month	38,909	41,971
Over 1 month but within 2 months	19,058	10,171
Over 2 months but within 3 months	4,945	9,589
Over 3 months	4,690	3,644
Trade creditors and bills payable	67,602	65,375
Accrued charges and other creditors	48,721	39,530
Dividends payable	20,675	-
Amounts due to related companies	303	339
Amounts due to joint ventures	13	79
Amount due to an associate	205	197
Derivative financial instruments	2,598	48
	140,117	105,568

INTERIM DIVIDEND

The Board has resolved not to declare the payment of interim dividend for the six months ended 30 September 2017 (2016: nil).

BUSINESS REVIEW AND PROSPECTS

	Six months ended		
	30 September		
	2017	2016	+/-
	HK\$'000	HK\$'000	Change
Revenue	314,747	350,947	-10%
Gross profit	55,607	64,237	-13%
Gross profit margin	18%	18%	-0pp
Loss from operations	(2,864)	(1,180)	143%
Operating margin	-1%	0%	-1pp
(Loss)/profit attributable to equity shareholders of the Company	(2,148)	9,330	-123%
Net profit margin	-1%	3%	-4pp
Earnings before interest income, finance costs, income tax, depreciation and amortisation (EBITDA)	5,012	14,699	-66%
EBITDA margin	2%	4%	-2pp
(Loss)/earnings per share - basic	(\$0.01)	\$0.05	-120%

During the six months under review, our Group recorded an overall loss of HK\$2,766,000 as compared with a profit of HK\$8,545,000 for the same period last year. The negative result as stated in our Profit Warning published on 16 November 2017 is mainly attributable to two factors – first being a drop of sales turnover in garment business caused by unfavourable market conditions, and the second being the absence of a one-off non-cash gain of HK\$12.8 million arising from the release of exchange reserve upon the deregistration of a subsidiary in the current period.

Our factory in Bangladesh had recorded a loss for the period under review due to the increase of production costs and fewer orders for the months of August and September 2017. Production returned to normal level in October 2017 and the factory will continue to run at full capacity until end March 2018. Although the performance of the second half of the year would greatly improve, a slight loss is expected for the overall result for the whole financial year.

Our Myanmar operation for the first half of the year had recorded a loss due to high running costs and lower production efficiency. The second half of the year remains difficult but as our production efficiency is improving, we expect the loss would be narrowed down by the end of the financial year.

A drastic drop of production orders had affected our production in China and a loss was reported for the first half of the year. We expect the impact would continue to hit our production in the second half of the year. Although a negative result for the whole financial year is inevitable, the management will endeavor to cut the loss to its minimum.

The performance of our joint ventures in Wuxi, China in the first half of the year continued to improve. Adjusted product mix in response to the changing market demands as well as the utilization of substantially better quality Xinjiang cotton raw materials attributed to the better results. Barring unforeseen circumstances, Wuxi group is expected to remain profitable during the rest of the financial year.

Our core garment business for the first half of the year under review recorded a loss mainly due to a decrease of revenue. Prices are major issues for all overseas buyers, and many of them moved their orders out of China to other lower costs countries. U.K.'s Brexit and other political uncertainties in Europe will continue to affect our results for the remaining months. With the absence of the one-time non-recurring income, the management expects the overall profit of the group for the whole financial year will decrease.

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 2017, the cash and bank balances of the Group were approximately HK\$302,398,000 (as at 31 March 2017: HK\$313,489,000). As at 30 September 2017 and 31 March 2017, the Group did not have any short term 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, Pounds 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 2017, the Group has forward foreign exchange contracts hedging forecast transactions with net fair value of HK\$2,598,000 (liabilities) (as at 31 March 2017: HK\$94,000 (assets) and HK\$48,000 (liabilities)), recognised as derivative financial instruments.

During the period, the Group spent approximately HK\$1,717,000 in additions and replacement of other property, plant and equipment, compared to HK\$980,000 for the same period last year.

PLEDGE OF ASSETS

As at 30 September 2017, none of the assets of the Group was pledged.

EMPLOYMENT AND REMUNERATION POLICIES

As at 30 September 2017, the Group, including its subsidiaries but excluding its associate and joint ventures, employed approximately of 3,800 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 2017.

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 2017.

CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied throughout the period ended 30 September 2017 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 2017 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, 29 November 2017

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. Lin Keping, Mr. Sze Cho Cheung, Michael, Mr. Choi Ting Ki and Mr. So Stephen Hon Cheung.