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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2019

The Board of Directors of YangtzeKiang Garment Limited (“the Company”) hereby announces the consolidated results of the Company and its subsidiaries (together referred to as “the Group”) and the Group’s interests in joint ventures for the year ended 31 March 2019 together with comparative figures for the corresponding period and selected explanatory information as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2019

(Expressed in Hong Kong dollars)

	<i>Note</i>	2019	2018
		<i>\$'000</i>	(Note)
			<i>\$'000</i>
Revenue	3&4	717,614	749,280
Cost of sales		<u>(585,030)</u>	<u>(611,731)</u>
Gross profit		132,584	137,549
Other income	5	8,733	10,866
Selling and distribution expenses		(49,777)	(53,596)
Administrative expenses		(61,168)	(62,373)
Other operating expenses		<u>(14,113)</u>	<u>(15,350)</u>
Profit from operations		16,259	17,096
Finance costs	6(a)	(3,506)	(2,553)
Share of profits of joint ventures		12,007	14,967
Impairment loss on plant and equipment	7	(5,170)	(4,758)
Net valuation gains on investment properties	11	<u>3,361</u>	<u>17,545</u>
Profit before taxation	6	22,951	42,297
Income tax	8	<u>(2,650)</u>	<u>(7,254)</u>
Profit for the year		<u>20,301</u>	<u>35,043</u>
Attributable to:			
Equity shareholders of the Company		22,062	36,558
Non-controlling interests		<u>(1,761)</u>	<u>(1,515)</u>
Profit for the year		<u>20,301</u>	<u>35,043</u>
Earnings per share			
Basic and diluted	10	<u>\$0.11</u>	<u>\$0.18</u>

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

Details of dividends payable to equity shareholders of the Company attributable to the year are set out in note 9(a).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

(Expressed in Hong Kong dollars)

	2019	2018
	\$'000	(Note (i)) \$'000
Profit for the year	<u>20,301</u>	<u>35,043</u>
Other comprehensive income for the year (after tax and reclassification adjustments)		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Equity investments at FVOCI: net movement in the investment revaluation reserve (non-recycling)	<u>1,037</u>	<u>-</u>
<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	(6,884)	10,154
- share of joint ventures' net assets	<u>(36,896)</u>	<u>55,618</u>
	(43,780)	65,772
Release of exchange reserve upon disposal of interest in an associate	(55)	-
Available-for-sale securities: net movement in the investment revaluation reserve (recycling) (Note (ii))	-	(1,370)
Cash flow hedges: net movement in the hedging reserve	<u>2,255</u>	<u>(2,255)</u>
Other comprehensive income for the year	<u>(40,543)</u>	<u>62,147</u>
Total comprehensive income for the year	<u>(20,242)</u>	<u>97,190</u>
Attributable to:		
Equity shareholders of the Company	(18,438)	98,823
Non-controlling interests	<u>(1,804)</u>	<u>(1,633)</u>
Total comprehensive income for the year	<u>(20,242)</u>	<u>97,190</u>

Notes:

- (i) The Group has initially applied HKFRS 15 and HKFRS 9 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. See note 2.
- (ii) This amount arose under the accounting policies applicable prior to 1 April 2018. As part of the opening balance adjustments as at 1 April 2018, the balance of this reserve has been reclassified to the investment revaluation reserve (non-recycling) and will not be reclassified to profit or loss in any future periods. See note 2(a).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019

(Expressed in Hong Kong dollars)

		2019	2018
	Note	\$'000	(Note) \$'000
Non-current assets			
Investment properties	11	242,239	240,556
Other property, plant and equipment		54,761	58,223
Interest in leasehold land held for own use under operating leases		<u>1,292</u>	<u>1,438</u>
		298,292	300,217
Intangible assets		2,985	3,080
Interests in joint ventures		546,154	571,043
Other financial assets		20,011	4,611
Deferred tax assets		<u>-</u>	<u>271</u>
		<u>867,442</u>	<u>879,222</u>
Current assets			
Inventories		69,177	68,686
Trade and other receivables	12	98,375	120,000
Current tax recoverable		347	131
Cash at bank and in hand		<u>323,769</u>	<u>323,112</u>
		<u>491,668</u>	<u>511,929</u>
Current liabilities			
Trade and other payables	13	84,690	86,407
Contract liabilities		4,952	-
Current tax payable		<u>14,709</u>	<u>16,036</u>
		<u>104,351</u>	<u>102,443</u>
Net current assets		<u>387,317</u>	<u>409,486</u>
Total assets less current liabilities		<u>1,254,759</u>	<u>1,288,708</u>
Non-current liabilities			
Provision for long service payments		23,498	22,728
Deferred tax liabilities		<u>16,516</u>	<u>17,013</u>
		<u>40,014</u>	<u>39,741</u>
NET ASSETS		<u>1,214,745</u>	<u>1,248,967</u>
CAPITAL AND RESERVES			
Share capital		208,418	208,418
Reserves		<u>1,008,228</u>	<u>1,039,310</u>
Total equity attributable to equity shareholders of the Company		<u>1,216,646</u>	<u>1,247,728</u>
Non-controlling interests		<u>(1,901)</u>	<u>1,239</u>
TOTAL EQUITY		<u>1,214,745</u>	<u>1,248,967</u>

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

NOTES:

(Expressed in Hong Kong dollars)

1. BASIS OF PREPARATION

The financial information relating to the years ended 31 March 2019 and 2018 included in this preliminary announcement of annual results does not constitute the Company's statutory annual consolidated financial statements for those years but, in respect of the year ended 31 March 2018, is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) ("Companies Ordinance") is as follows:

The financial statements for the year ended 31 March 2019 have yet to be reported on by the Company's auditor and will be delivered to the Registrar of Companies in due course. The Company has delivered the financial statements for the year ended 31 March 2018 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 2018. 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 sections 406(2), 407(2) or (3) of the Companies Ordinance.

The consolidated financial statements of the Group for the year ended 31 March 2019 have 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 Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"). In addition, this announcement has been reviewed by the Company's audit committee.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that investment properties, other investments in equity securities and derivative financial instruments are stated at their fair value.

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2019 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 and the amounts were found to be in agreement. The work performed by KPMG in this respect 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. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 9, *Financial instruments*
- HKFRS 15, *Revenue from contracts with customers*

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

(a) HKFRS 9, *Financial instruments*

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 April 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 April 2018. Therefore, comparative information continues to be reported under HKAS 39.

(i) *Classification of financial assets and financial liabilities*

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (“FVOCI”) and at fair value through profit or loss (“FVPL”). These supersede HKAS 39’s categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

The following table shows the original measurement categories for each class of the Group’s financial assets under HKAS 39 impacted by the new standard and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 March 2018 \$’000	Reclassification \$’000	Remeasurement \$’000	HKFRS 9 carrying amount at 1 April 2018 \$’000
Financial assets measured at FVOCI (non-recycling)				
Equity securities (note)	-	4,611	14,493	19,104
Financial assets classified as available-for-sale under HKAS 39 (note)				
- unlisted equity securities	855	(855)	-	-
- equity securities listed outside Hong Kong	3,756	(3,756)	-	-
	<u>4,611</u>	<u>(4,611)</u>	<u>-</u>	<u>-</u>

Note: Certain equity investments held by the Group for long-term strategic purposes have been designated under HKFRS 9 at FVOCI (non-recycling). Before the adoption of HKFRS 9, those unlisted equity securities were measured at cost because their fair values were not considered to be reliably measurable. HKFRS 9 has removed this cost exception.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 April 2018 have not been impacted by the initial application of HKFRS 9.

(ii) *Credit losses*

HKFRS 9 replaces the “incurred loss” model in HKAS 39 with the expected credit loss (“ECL”) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the “incurred loss” accounting model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and lease receivables).

The adoption of HKFRS 9 does not have any material impact on the financial position and the financial result of the Group.

(b) **HKFRS 15, Revenue from contracts with customers**

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 April 2018.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(i) *Timing of revenue recognition*

Previously, revenue from sale of goods and provision of services was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers and the service were rendered.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

- A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
- B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
- C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have any material impact on the timing of revenue recognition for both sales of goods and provision of services of the Group.

(ii) *Presentation of contract liabilities*

Under HKFRS 15, a contract liability is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. Such balances are recognised as contract liabilities rather than payables.

Previously, amounts received before the goods delivered were presented as advances received under "trade and other payables".

To reflect these changes in presentation, at 1 April 2018, as a result of the adoption of HKFRS 15, advances received from customers included under "trade and other payables" of \$3,524,000 is now reclassified as "contract liabilities".

3. REVENUE

The principal activities of the Group are the manufacture and sale of garments and textiles, provision of processing services and rental of properties.

Revenue represents the invoiced value of goods supplied to customers, processing service income and rental income. Disaggregation of revenue by category is analysed as follows:

	2019 \$'000	2018 \$'000
Under the scope of HKFRS 15,		
<i>Revenue from contracts with customers:</i>		
- Manufacture and sale of garments	663,951	695,042
- Manufacture and sale of textiles	22,285	20,905
- Processing service income	25,262	25,292
	<u>711,498</u>	<u>741,239</u>
Under the scope of HKAS 17, Leases:		
- Gross rentals from investments properties	6,116	8,041
	<u>717,614</u>	<u>749,280</u>

Disaggregation of revenue from contracts with customers by geographic markets is disclosed in note 4(c).

The Group's customer base is diversified. For the year ended 31 March 2019, revenues of approximately \$124,337,000 and \$76,273,000 are derived from two external customers with whom transactions have exceeded 10% of the Group's revenue. For the year ended 31 March 2018, revenue of approximately \$124,476,000 was derived from a single external customer with whom transactions had exceeded 10% of the Group's revenue. These revenues are attributable to the sales of garments.

The Group applies the practical expedient in paragraph 121 of HKFRS 15 and does not disclose information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations arising from contracts with customers in existence at the reporting date that had an original expected duration of one year or less.

4. 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) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Manufacture and sale of garments and textiles and property leasing segments

Segment assets include all assets with the exception of intangible assets, other financial assets, deferred tax assets, current tax recoverable and other corporate assets. Segment liabilities include all liabilities managed directly by the segments with the exception of current tax payable, deferred tax liabilities and other corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

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.

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning revenue (including inter-segment sales), interest income and finance costs from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Interests in joint ventures

The Group's interests in joint ventures are accounted for in the consolidated financial statements under the equity method, and presented as a separate reportable segment. The Group's senior executive management reviews the post-tax result of the interests in joint ventures, which is defined as the reportable segment profit/loss for this particular segment. Reportable segment assets represent the Group's share of net assets of the joint ventures. Revenue of joint ventures is not presented as reportable segment revenue because it is not reviewed by the Group's senior executive management for resource allocation purposes.

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 years ended 31 March 2019 and 2018 is set out below:

	Manufacture and sale of garments and textiles		Interests in joint ventures		Property leasing		Total	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Revenue from external customers	711,498	741,239	-	-	6,116	8,041	717,614	749,280
Inter-segment revenue	-	-	-	-	1,316	1,316	1,316	1,316
Reportable segment revenue	711,498	741,239	-	-	7,432	9,357	718,930	750,596
Reportable segment profit (adjusted EBITDA)	15,556	16,560	12,007	14,967	6,795	8,834	34,358	40,361
Interest income	2,731	1,091	-	-	-	-	2,731	1,091
Finance costs	(3,506)	(2,553)	-	-	-	-	(3,506)	(2,553)
Depreciation and amortisation	(4,588)	(5,157)	-	-	-	-	(4,588)	(5,157)
Impairment loss on plant and equipment	(5,170)	(4,758)	-	-	-	-	(5,170)	(4,758)
Impairment loss on trade receivables	-	(279)	-	-	-	-	-	(279)
Reportable segment assets	546,456	570,519	546,154	571,043	306,867	304,193	1,399,477	1,445,755
Additions to non-current segment assets during the year	7,098	2,005	-	-	-	-	7,098	2,005
Reportable segment liabilities	108,908	105,133	-	-	-	-	108,908	105,133

(b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	2019	2018
	\$'000	\$'000
<i>Revenue</i>		
Reportable segment revenue	718,930	750,596
Elimination of inter-segment revenue	<u>(1,316)</u>	<u>(1,316)</u>
Consolidated revenue	<u>717,614</u>	<u>749,280</u>
<i>Profit</i>		
Reportable segment profit derived from the Group's external customers (adjusted EBITDA)	34,358	40,361
Finance costs	(3,506)	(2,553)
Interest income	2,731	1,091
Depreciation and amortisation	(4,588)	(5,157)
Impairment loss on plant and equipment	(5,170)	(4,758)
Net valuation gains on investment properties	3,361	17,545
Unallocated head office and corporate expenses	<u>(4,235)</u>	<u>(4,232)</u>
Consolidated profit before taxation	<u>22,951</u>	<u>42,297</u>
<i>Assets</i>		
Reportable segment assets	1,399,477	1,445,755
Elimination of inter-segment assets	<u>(64,628)</u>	<u>(63,636)</u>
	1,334,849	1,382,119
Intangible assets	2,985	3,080
Other financial assets	20,011	4,611
Current tax recoverable	347	131
Deferred tax assets	-	271
Unallocated head office and corporate assets	<u>918</u>	<u>939</u>
Consolidated total assets	<u>1,359,110</u>	<u>1,391,151</u>
<i>Liabilities</i>		
Reportable segment liabilities	108,908	105,133
Current tax payable	14,709	16,036
Deferred tax liabilities	16,516	17,013
Unallocated head office and corporate liabilities	<u>4,232</u>	<u>4,002</u>
Consolidated total liabilities	<u>144,365</u>	<u>142,184</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 external customers		Specified non-current assets	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Hong Kong (place of domicile)	36,860	44,255	257,593	255,827
Europe				
- United Kingdom	77,665	111,321	-	-
- Italy	141,038	137,493	-	-
- Spain	58,342	71,593	-	-
- Germany	112,434	89,293	-	-
- Other European countries	29,090	32,002	-	-
Mainland China	36,510	36,631	584,898	613,219
North America				
- United States	135,645	115,173	-	-
- Canada	7,658	9,749	-	-
Others	82,372	101,770	4,940	5,294
	680,754	705,025	589,838	618,513
	717,614	749,280	847,431	874,340

5. **OTHER INCOME**

	2019 \$'000	2018 \$'000
Interest income	2,731	1,091
Scrap income	2,131	1,906
Net exchange gain/(loss)	946	(1,018)
Management fee income	804	804
Dividend income from equity securities	776	517
Government grants	757	119
Net gain on disposals of other property, plant and equipment	181	4,610
Net gain on other forward foreign exchange contracts	130	-
Recovery of receivables written off in prior years	4	130
Write-off of aged payables	1	90
Net claim (expenses)/income	(1,572)	233
Commission income	-	71
Sundry income	1,844	2,313
	8,733	10,866

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2019	2018
	\$'000	\$'000
(a) Finance costs:		
Interest on bank advances (including bank charges)	3,158	2,410
Cash flow hedges: reclassified from equity	348	143
	<u>3,506</u>	<u>2,553</u>
(b) Other items:		
Cost of inventories	585,030	611,731
Amortisation of pre-paid interests in leasehold land	56	57
Amortisation of intangible assets	95	95
Depreciation	4,437	5,005
Net loss on cash flow hedging instruments reclassified from equity	1,389	2,317
Impairment losses on trade receivables	-	279
	<u>-</u>	<u>279</u>

7. IMPAIRMENT LOSSES

A subsidiary of the Company engaged in garment manufacturing in Bangladesh which constituted a single cash generating unit (“CGU”) of the Group.

During the year ended 31 March 2018, this subsidiary recorded operating losses which indicated the plant and equipment belong to this subsidiary might have been impaired. As such, the Group assessed the recoverable amounts of the plant and equipment of the subsidiary as at 31 March 2018. As a result, the carrying amounts of the plant and equipment of the subsidiary was written down to its recoverable amount of \$5,130,000. During the year ended 31 March 2019, the performance of the CGU further deteriorated and based on the impairment assessment performed by the management, the recoverable amount reduced to zero as at 31 March 2019. Accordingly, an impairment loss of \$5,170,000 (2018: \$4,758,000) was recognised in profit or loss for the year ended 31 March 2019. The estimates of recoverable amount were based on value-in-use calculations which adopted a discount rate of 16.9% (2018: 24.5%). The discount rate used was pre-tax and reflect specific risks relating to the subsidiary.

Impairment loss on plant and equipment is recognised in the line item “impairment loss on plant and equipment” on the face of the consolidated statement of profit or loss.

8. INCOME TAX

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

	2019	2018
	\$'000	\$'000
Current tax - Hong Kong Profits Tax		
Provision for the year	5,079	3,885
Under-provision in respect of prior years	26	-
	<u>5,105</u>	<u>3,885</u>
Current tax - Overseas		
Credit for the year	(1,858)	(847)
Land Appreciation Tax	-	486
	<u>(1,858)</u>	<u>(361)</u>
Deferred tax		
Origination and reversal of temporary differences	(597)	3,730
	<u>(597)</u>	<u>3,730</u>
	<u>2,650</u>	<u>7,254</u>

The provision for Hong Kong Profits Tax for 2019 is calculated at 16.5% (2018: 16.5%) of the estimated assessable profits for the year.

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

9. DIVIDENDS

(a) Dividends payable to equity shareholders of the Company attributable to the year

	2019 \$'000	2018 \$'000
Final dividend proposed after the end of the reporting period of \$0.12 (2018: \$0.12) per ordinary share	<u>24,810</u>	<u>24,810</u>

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2019 \$'000	2018 \$'000
Final dividend in respect of the previous financial year, approved and paid during the year of \$0.12 (2018: \$0.10) per ordinary share	<u>24,810</u>	<u>20,675</u>

10. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of \$22,062,000 (2018: \$36,558,000) and the weighted average number of 206,748,000 (2018: 206,748,000) ordinary shares in issue during the year.

(b) Diluted earnings per share

The diluted earnings per share is the same as the basic earnings per share as there were no dilutive potential ordinary shares in existence during the years ended 31 March 2019 and 2018.

11. INVESTMENT PROPERTIES

During the year ended 31 March 2019, the Group recognised net valuation gains of approximately \$3,361,000 (2018: \$17,545,000) on its investment properties which mainly resulted from the favourable valuation of the properties in Hong Kong.

12. TRADE AND OTHER RECEIVABLES

	2019 \$'000	2018 \$'000
Trade debtors	55,984	74,888
Bills receivable	28,606	30,744
Less: loss allowance	<u>(3,546)</u>	<u>(3,546)</u>
	81,044	102,086
Deposits, prepayments and other debtors	15,284	17,100
Amounts due from related companies	1,991	814
Derivative financial instruments	<u>56</u>	<u>-</u>
	<u>98,375</u>	<u>120,000</u>

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

The amounts due from related companies are unsecured, interest-free and recoverable on demand except for those trade related items under normal trade terms.

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 loss allowance, is as follows:

	2019	2018
	\$'000	\$'000
Within 1 month	38,472	41,916
Over 1 month but within 2 months	18,669	29,245
Over 2 months but within 3 months	7,142	16,756
Over 3 months but within 4 months	8,801	7,753
Over 4 months	7,960	6,416
	<u>81,044</u>	<u>102,086</u>

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

13. TRADE AND OTHER PAYABLES

	31 March 2019	1 April 2018	31 March 2018
	\$'000	(Note) \$'000	(Note) \$'000
Trade creditors	43,776	46,717	46,717
Bills payable	1,127	-	-
	<u>44,903</u>	46,717	46,717
Accrued charges and other creditors (note)	38,941	33,445	36,969
Amounts due to related companies	198	355	355
Amounts due to joint ventures	648	13	13
Derivative financial instruments	-	2,353	2,353
	<u>84,690</u>	<u>82,883</u>	<u>86,407</u>

Note: As a result of the adoption of HKFRS 15, receipt in advances from customers are included in contract liabilities (see note 2(b)).

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

The amounts due to related companies and joint ventures are unsecured, interest-free and repayable on demand except for those trade related items under normal trade terms.

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:

	2019	2018
	\$'000	\$'000
Within 1 month	21,396	22,660
Over 1 month but within 2 months	10,268	15,656
Over 2 months but within 3 months	9,491	5,417
Over 3 months	3,748	2,984
	<u>44,903</u>	<u>46,717</u>

DIVIDENDS

The Board resolved to recommend the payment of a final dividend of HK12 cents (2018: HK12 cents) per ordinary share in respect of the year ended 31 March 2019 at the forthcoming annual general meeting of the Company to be held on 18 September 2019. The aggregate final dividend amounting to HK\$24,810,000 (2018: HK\$24,810,000), if approved by the shareholders, is expected to be paid on or around 4 October 2019.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining the entitlement of the shareholders to attend and vote at the forthcoming annual general meeting, the register of members of the Company will be closed from 13 September 2019 to 18 September 2019 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the right to attend and vote at the forthcoming annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company share registrar, Computershare Hong Kong Investor Services Limited, which is located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Thursday, 12 September 2019.

The register of members of the Company will also be closed from 24 September 2019 to 26 September 2019 (both days inclusive), during which period no transfer of shares will be effected for the purpose of ascertaining the entitlement of the shareholders to the proposed final dividend. In order to qualify for the final dividend payable on or around 4 October 2019 to be approved at the forthcoming annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company share registrar, Computershare Hong Kong Investor Services Limited, which is located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Monday, 23 September 2019.

BUSINESS REVIEW AND PROSPECTS

Revenue of the Group for the current year of 2018/19 was HK\$717,614,000 (2017/18: HK\$749,280,000) and the overall profit was HK\$20,301,000 (2017/18: HK\$35,043,000).

Revenue of the year under review was 4% less than the previous year, and the overall profit was down by 42%. The main reasons for the drop of profit were the significant reduction of revaluation gains on our investment properties as well as the lesser profits from our Wuxi investment.

Our core garment business despite all the unfavourable political and economical adversities in the year under review was able to yield a profit from operations of HK\$16,259,000 as compared to HK\$17,096,000 of the year before, with a 5% decrease.

Our China operation in Panyu and Guigang had a difficult time for the year under review. The even spread of orders over the high and low seasons as well as an increase of orders contributed to the positive result. However the disorder in global trade environment caused by the current exacerbating trade wars and Brexit has already affected our operation in China.

Our factories in Bangladesh in the year under review incurred a loss. The change of import regulations by the Bangladesh government had affected our deliveries plus inadequate orders as well as big increase in our operating expenses attributed to this negative result.

The high demand for production in our Myanmar factory for both woven and knitted garments had given rise to a profit in the year under review. The knit plant which started manufacturing only in January 2019 is now in full force and has same production capacity as the woven plant.

Trade wars, national environmental policies, rising cotton costs, stagnant yarn prices and interest expenses from the Ethiopia project had affected our Wuxi investment's performance, but thanks to the weak Reminbi that had helped greatly to improve the profitability despite of the low gross margin and increase in interest costs.

OUTLOOK

The coming year will likely be very challenging. The China/U.S. trade war will affect our China operations as we mainly produce for the U.S. higher end brands there. To deal with the situation, the management has started to diversify our production to more countries like Vietnam and Indonesia besides our own factories in Myanmar and Bangladesh. Business in U.K. and Europe has been slow and the weak pound sterling and Euro make trading with these markets difficult.

GARMENT BUSINESS

YangtzeKiang Garment Limited and Hong Kong Knitters Limited are the two names that we use to operate our garment business. We manufacture a wide variety of products that include men's and ladies' shirts, trousers, shorts, polo shirts, T-shirts, jackets and knitted outerwear, etc. Hong Kong is our Group's headquarters that handles our core garment businesses including manufacturing, trading and sourcing. We have factories in China (Panyu and Guigang), Bangladesh and Myanmar. Besides Hong Kong and places where we have factories, we also have offices in China (Dongguan and Hangzhou). These offices not only provide supports to our own factories, but also monitor and liaise with our subcontractors and business partners around these areas.

Our core garment business continued to be affected by the trade wars, Brexit as well as the high increase of our operating expenses. The high tariffs imposed on Chinese made products by the U.S. government fuel the urge to diversify our production sources. Besides expanding our own production facilities in Bangladesh and Myanmar, we will venture into Vietnam and Indonesia for our production needs.

Our China factories operating under the names of Exquisite Knitters (Guangzhou) Limited and Whampoa Garment Manufacturing (Guigang) Co., Ltd. pulled through another difficult year. The increase of orders from customers and enough orders to fill up our low season's capacity added profitability to the results for the year under review. The intense trade war between China and the U.S. has caused great commotions. Not only has it impacted our garment division but also hampered our fabrics division due to the change of preference from cotton to synthetic knitwears. The new and tightened local environmental laws that came into effect also added big costs to our operating expenses, and we expect our domestic sales to drop too. The coming year would be another tough year for our China operation.

Our Bangladesh factories recorded a loss for the year under review, reasons being the sudden change of import regulations that resulted in heavy airfreight expenses; the big increase of 51% of the minimum wage; the high increase of the operating expenses and the selling prices that could not be increased. For year 2019/20, all these unfavourable factors plus the problem of inadequate orders for low season would continue to disturb our operation. It is hoped that by acquiring more orders at higher prices and restructuring the factory operation to cut down our operating expenses, we could reduce the loss to the minimum for the coming year.

Our factory in Myanmar - Dagon Talent Garment Limited, recorded a positive result in the year under review. The demand for our Myanmar production has increased a lot this year especially from the buyers from Japan. Besides the woven shirts, they also look for knitted items. In response to the demand, a knitted garments division was set up in January 2019 with same capacity as the woven garments division. With stable orders in both woven and knitted production, stable labour supply, improved efficiency and the weak local currency, we expect a better result for the Myanmar operation in the coming year.

OTHER BUSINESS

Wuxi No. 1 Cotton Investment Co., Ltd. in which we have a 49% shareholding is a joint venture that owns several textiles related companies in Wuxi, China ("Wuxi Group"). The core business of the Wuxi Group is the production of medium range to high end yarns. The Wuxi Group recorded a share of profit of HK\$12,007,000 in the year under review (2017/18: HK\$14,967,000). Factors that affected their profitability included trade frictions between China and the U.S.; national environmental policies; rising cotton costs but not followed by yarn prices in tandem. Investment in Ethiopia project also added to the interest expenses. Timely adjustments in product mix helped to improve their sales and the exchange gains arising from the weak Renminbi against U.S. Dollars during the year substantially mitigated the reduction in gross margin and increase of interest costs. All these factors that affected Wuxi operation would continue to the coming year and the profit outlook for the Wuxi investment is uncertain.

LIQUIDITY AND FINANCIAL POSITION

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

As at 31 March 2019, the cash and bank balances of the Group were approximately HK\$323,769,000 (2018: HK\$323,112,000). As at 31 March 2019 and 2018, 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 committed future sales denominated in the above foreign currencies against the exchange rate fluctuation when the exposure is significant. As at 31 March 2019, the Group has forward foreign exchange contracts hedging forecast transactions with net fair value of HK\$56,000 (assets) (2018: HK\$2,353,000 (liabilities)), recognised as derivative financial instruments.

PLEDGE OF ASSETS

As at 31 March 2019, none of the assets of the Group was pledged.

EMPLOYMENT AND REMUNERATION POLICIES

As at 31 March 2019, the Group, including its subsidiaries but excluding its joint ventures, employed approximately 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 year ended 31 March 2019.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied throughout the year ended 31 March 2019 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 four independent non-executive directors of the Company.

The audit committee of the Company has reviewed with management the accounting principles and practices adopted by the Group and the draft consolidated financial statements of the Group for the year ended 31 March 2019.

ANNUAL GENERAL MEETING

The annual general meeting of the shareholders of the Company will be held on Wednesday, 18 September 2019 and the Notice of annual general meeting will be published and dispatched to the shareholders in due course.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL 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 annual report for the year ended 31 March 2019 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, 24 June 2019

As at the date of this announcement, the Board consists of seven executive directors, namely 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. Choi Ting Ki, Mr. So Stephen Hon Cheung and Mr. Li Guangming.