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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 2020

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 2020 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 2020

(Expressed in Hong Kong dollars)

	Note	2020 \$'000	2019 (Note) \$'000
Revenue	3&4	656,212	717,614
Cost of sales		<u>(545,142)</u>	<u>(585,030)</u>
Gross profit		111,070	132,584
Other income	5	10,994	8,733
Selling and distribution expenses		(43,823)	(49,777)
Administrative expenses		(57,721)	(61,168)
Other operating expenses		<u>(17,154)</u>	<u>(14,113)</u>
Profit from operations		3,366	16,259
Finance costs	6(a)	(4,248)	(3,506)
Share of (losses)/profits of joint ventures		(24,295)	12,007
Impairment losses on other property, plant and equipment	7	(14,627)	(5,170)
Net valuation (losses)/gains on investment properties	11	<u>(10,616)</u>	3,361
(Loss)/profit before taxation	6	(50,420)	22,951
Income tax	8	<u>(366)</u>	<u>(2,650)</u>
(Loss)/profit for the year		<u>(50,786)</u>	<u>20,301</u>
Attributable to:			
Equity shareholders of the Company		(51,009)	22,062
Non-controlling interests		<u>223</u>	<u>(1,761)</u>
(Loss)/profit for the year		<u>(50,786)</u>	<u>20,301</u>
(Loss)/earnings per share			
Basic and diluted	10	<u>(\$0.25)</u>	<u>\$0.11</u>

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, the 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 2020

(Expressed in Hong Kong dollars)

	2020	2019
	\$'000	(Note) \$'000
(Loss)/profit for the year	<u>(50,786)</u>	<u>20,301</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 fair value through other comprehensive income: net movement in the investment revaluation reserve (non-recycling)	<u>(44)</u>	<u>1,037</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	(5,034)	(6,884)
- share of joint ventures' net assets	<u>(32,673)</u>	<u>(36,896)</u>
	(37,707)	(43,780)
Release of exchange reserve upon deregistration of subsidiaries	(1,052)	-
Release of exchange reserve upon disposal of interest in an associate	-	(55)
Cash flow hedges: net movement in the hedging reserve	<u>-</u>	<u>2,255</u>
Other comprehensive income for the year	<u>(38,803)</u>	<u>(40,543)</u>
Total comprehensive income for the year	<u>(89,589)</u>	<u>(20,242)</u>
Attributable to:		
Equity shareholders of the Company	(90,270)	(18,438)
Non-controlling interests	<u>681</u>	<u>(1,804)</u>
Total comprehensive income for the year	<u>(89,589)</u>	<u>(20,242)</u>

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020

(Expressed in Hong Kong dollars)

		2020	2019
	Note	\$'000	(Note) \$'000
Non-current assets			
Investment properties	11	229,989	242,239
Other property, plant and equipment		58,487	54,761
Interest in leasehold land held for own use		1,154	1,292
		<u>289,630</u>	298,292
Intangible assets		2,890	2,985
Interests in joint ventures		488,657	546,154
Other financial assets		19,878	20,011
		<u>801,055</u>	867,442
Current assets			
Inventories		51,245	69,177
Trade and other receivables	12	119,181	98,375
Current tax recoverable		378	347
Cash at bank and in hand		272,451	323,769
		<u>443,255</u>	491,668
Current liabilities			
Trade and other payables	13	73,150	84,690
Contract liabilities		4,745	4,952
Lease liabilities		4,099	-
Current tax payable		7,340	14,709
		<u>89,334</u>	104,351
Net current assets		<u>353,921</u>	387,317
Total assets less current liabilities		<u>1,154,976</u>	1,254,759
Non-current liabilities			
Provision for long service payments		24,339	23,498
Lease liabilities		13,864	-
Deferred tax liabilities		16,035	16,516
		<u>54,238</u>	40,014
NET ASSETS		<u>1,100,738</u>	1,214,745
CAPITAL AND RESERVES			
Share capital		208,418	208,418
Reserves		893,148	1,008,228
Total equity attributable to equity shareholders of the Company		1,101,566	1,216,646
Non-controlling interests		<u>(828)</u>	(1,901)
TOTAL EQUITY		<u>1,100,738</u>	1,214,745

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, the 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 2020 and 2019 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 2019, 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 2020 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 2019 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 2019. 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 2020 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, 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 2020 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 new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 April 2019. The Group has elected to use the modified retrospective approach. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) *New definition of a lease*

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 April 2019. For contracts entered into before 1 April 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(b) *Lessee accounting and transitional impact*

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to other property, plant and equipment.

At the date of transition to HKFRS 16 (i.e. 1 April 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 April 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 8.1%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

- (i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 March 2020; and
- (ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).

The following table reconciles the operating lease commitments as at 31 March 2019 to the opening balance for lease liabilities recognised as at 1 April 2019:

	<i>\$'000</i>
Operating lease commitments at 31 March 2019	2,400
Less: commitments relating to leases exempt from capitalisation:	
short-term leases and other leases with remaining lease term ending on or before 31 March 2020	(51)
- leases of low-value assets	(17)
Add: lease payments for the additional periods where the Group considers it reasonably certain that it will not exercise the termination options	25,215
	<u>27,547</u>
Less: total future interest expenses	<u>(5,059)</u>
Present value of remaining lease payments, discounted using the incremental borrowing rates and total lease liabilities recognised at 1 April 2019	<u><u>22,488</u></u>

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid lease payments relating to that lease recognised in the consolidated statement of financial position at 31 March 2019. As such, there is no adjustment to the opening balance of equity at 1 April 2019.

The Group presents right-of-use assets that do not meet the definition of investment property in “interest in leasehold land held for own use” and “other property, plant and equipment” and presents lease liabilities separately in the consolidated statement of financial position.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 March 2019 \$'000	Capitalisation of operating lease contracts \$'000	Carrying amount at 1 April 2019 \$'000
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Other property, plant and equipment	54,761	23,657	78,418
Total non-current assets	867,442	23,657	891,099
Trade and other receivables	98,375	(1,169)	97,206
Total current assets	491,668	(1,169)	490,499
Lease liabilities (current)	-	4,383	4,383
Total current liabilities	104,351	4,383	108,734
Net current assets	387,317	(5,552)	381,765
Total assets less current liabilities	1,254,759	18,105	1,272,864
Lease liabilities (non-current)	-	18,105	18,105
Total non-current liabilities	40,014	18,105	58,119
Net assets	1,214,745	-	1,214,745

(c) *Impact on the financial result, segment results and cash flows of the Group*

After the initial recognition of right-of-use assets and lease liabilities as at 1 April 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the consolidated cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the consolidated cash flow statement.

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:

	2020 \$'000	2019 \$'000
Under the scope of HKFRS 15,		
<i>Revenue from contracts with customers:</i>		
- Manufacture and sale of garments	600,227	663,951
- Manufacture and sale of textiles	7,080	22,285
- Processing service income	42,801	25,262
	<u>650,108</u>	<u>711,498</u>
Under the scope of HKFRS 16/HKAS 17, Leases:		
Gross rentals from investments properties	<u>6,104</u>	<u>6,116</u>
	<u>656,212</u>	<u>717,614</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 2020, revenues of approximately \$121,266,000 and \$105,830,000 (2019: \$124,337,000 and \$76,273,000) are derived from two external customers with whom transactions have 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 2020 and 2019 is set out below:

	Manufacture and sale of garments and textiles		Interests in joint ventures		Property leasing		Total	
	2020	2019 (Note)	2020	2019	2020	2019	2020	2019 (Note)
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	650,108	711,498	-	-	6,104	6,116	656,212	717,614
Inter-segment revenue	-	-	-	-	1,088	1,316	1,088	1,316
Reportable segment revenue	650,108	711,498	-	-	7,192	7,432	657,300	718,930
Reportable segment (loss)/profit (adjusted EBITDA)	7,599	15,556	(24,295)	12,007	6,690	6,795	(10,006)	34,358
Interest income	3,250	2,731	-	-	-	-	3,250	2,731
Finance costs	(4,248)	(3,506)	-	-	-	-	(4,248)	(3,506)
Depreciation and amortisation	(8,816)	(4,588)	-	-	-	-	(8,816)	(4,588)
Impairment losses on other property, plant and equipment	(14,627)	(5,170)	-	-	-	-	(14,627)	(5,170)
Impairment losses on trade receivables	(3,040)	-	-	-	-	-	(3,040)	-
Reportable segment assets	501,518	546,456	488,657	546,154	300,429	306,867	1,290,604	1,399,477
Additions to non-current segment assets during the year	4,411	7,098	-	-	-	-	4,411	7,098
Reportable segment liabilities	117,466	108,908	-	-	-	-	117,466	108,908

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2.

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

	2020	2019
	\$'000	(Note) \$'000
Revenue		
Reportable segment revenue	657,300	718,930
Elimination of inter-segment revenue	<u>(1,088)</u>	<u>(1,316)</u>
Consolidated revenue	<u>656,212</u>	<u>717,614</u>
(Loss)/profit		
Reportable segment (loss)/profit derived from the Group's external customers (adjusted EBITDA)	(10,006)	34,358
Finance costs	(4,248)	(3,506)
Interest income	3,250	2,731
Depreciation and amortisation	(8,816)	(4,588)
Impairment losses on other property, plant and equipment	(14,627)	(5,170)
Net valuation (losses)/gains on investment properties	(10,616)	3,361
Unallocated head office and corporate expenses	<u>(5,357)</u>	<u>(4,235)</u>
Consolidated (loss)/profit before taxation	<u>(50,420)</u>	<u>22,951</u>
Assets		
Reportable segment assets	1,290,604	1,399,477
Elimination of inter-segment assets	<u>(70,439)</u>	<u>(64,628)</u>
	1,220,165	1,334,849
Intangible assets	2,890	2,985
Other financial assets	19,878	20,011
Current tax recoverable	378	347
Unallocated head office and corporate assets	<u>999</u>	<u>918</u>
Consolidated total assets	<u>1,244,310</u>	<u>1,359,110</u>
Liabilities		
Reportable segment liabilities	117,466	108,908
Current tax payable	7,340	14,709
Deferred tax liabilities	16,035	16,516
Unallocated head office and corporate liabilities	<u>2,731</u>	<u>4,232</u>
Consolidated total liabilities	<u>143,572</u>	<u>144,365</u>

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2.

(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, 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, 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	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	(Note) \$'000
Hong Kong (place of domicile)	<u>43,323</u>	<u>36,860</u>	<u>244,727</u>	<u>257,593</u>
Europe				
- United Kingdom	76,073	77,665	-	-
- Italy	133,504	141,038	-	-
- Spain	50,158	58,342	-	-
- Germany	106,702	112,434	-	-
- Other European countries	17,933	29,090	-	-
Mainland China	41,131	36,510	524,856	584,898
North America				
- United States	105,830	135,645	-	-
- Canada	12,350	7,658	-	-
Others	<u>69,208</u>	<u>82,372</u>	<u>11,594</u>	<u>4,940</u>
	<u>612,889</u>	<u>680,754</u>	<u>536,450</u>	<u>589,838</u>
	<u>656,212</u>	<u>717,614</u>	<u>781,177</u>	<u>847,431</u>

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2.

5. **OTHER INCOME**

	2020	2019
	\$'000	\$'000
Interest income	3,250	2,731
Scrap income	1,918	2,131
Net gain on forward foreign exchange contracts	1,352	130
Net exchange gain	1,267	946
Government grants	875	757
Management fee income	804	804
Write-off of aged payables	563	1
Dividend income from equity securities	501	776
Net gain on disposals of other property, plant and equipment	24	181
Net claim expenses	(1,937)	(1,572)
Sundry income	<u>2,377</u>	<u>1,848</u>
	<u>10,994</u>	<u>8,733</u>

6. (LOSS)/PROFIT BEFORE TAXATION

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

	2020	2019
	\$'000	(Note) \$'000
(a) Finance costs:		
Interest on bank advances (including bank charges)	2,578	3,158
Interest on lease liabilities	1,670	-
Cash flow hedges: reclassified from equity	-	348
	<u>4,248</u>	<u>3,506</u>
(b) Other items:		
Cost of inventories	545,142	585,030
Amortisation of intangible assets	95	95
Amortisation of pre-paid interests in leasehold land	-	56
Depreciation charge		
- owned property, plant and equipment	1,406	4,437
- right-of-use assets*	7,315	-
Net loss on cash flow hedging instruments reclassified from equity	-	1,389
Impairment losses on trade receivables	3,040	-
	<u>3,040</u>	<u>-</u>

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2.

* The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 April 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. After initial recognition of right-of-use assets at 1 April 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 2.

7. IMPAIRMENT LOSSES

The Group has two garment manufacturing plants in Guigang, China and Bangladesh which suffered operating losses during the year ended 31 March 2020. Each of them constituted a single cash generating unit (“CGU”) of the Group.

The Group assessed the recoverable amounts of the other property, plant and equipment of each CGU as at 31 March 2020 based on the value-in-use calculations and as a result, the carrying amounts of the other property, plant and equipment of both CGUs were fully written down. Accordingly, an impairment loss of \$14,627,000 (2019: \$5,170,000) was recognised in profit or loss for the year ended 31 March 2020. The estimates of recoverable amounts were based on value-in-use calculations which adopted discount rates of 19.4% and 11.0% (2019: 16.9%). The discount rates used are pre-tax and reflect specific risks of respective CGUs.

Impairment losses on other property, plant and equipment is recognised in the line item “impairment losses on other property, 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:

	2020	2019
	\$'000	\$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	1,016	5,079
Under-provision in respect of prior years	69	26
	<u>1,085</u>	<u>5,105</u>
Current tax – Overseas		
Credit for the year	(821)	(1,858)
Deferred tax		
Origination and reversal of temporary differences	102	(597)
	<u>366</u>	<u>2,650</u>

The provision for Hong Kong Profits Tax for 2020 is calculated at 16.5% (2019: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first \$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2019.

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

	2020 \$'000	2019 \$'000
Final dividend proposed after the end of the reporting period of \$nil (2019: \$0.12) per ordinary share	<u>-</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

	2020 \$'000	2019 \$'000
Final dividend in respect of the previous financial year, approved and paid during the year of \$0.12 (2019: \$0.12) per ordinary share	<u>24,810</u>	<u>24,810</u>

10. (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 \$51,009,000 (2019: profit of \$22,062,000) and the weighted average number of 206,748,000 (2019: 206,748,000) ordinary shares in issue during the year.

(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 years ended 31 March 2020 and 2019.

11. INVESTMENT PROPERTIES

During the year ended 31 March 2020, the Group recognised net valuation losses of approximately \$10,616,000 (2019: gains of \$3,361,000) on its investment properties.

12. TRADE AND OTHER RECEIVABLES

	2020 \$'000	2019 (Note) \$'000
Trade debtors	57,954	55,984
Bills receivable	48,075	28,606
Less: loss allowance	<u>(6,586)</u>	<u>(3,546)</u>
	99,443	81,044
Deposits, prepayments and other debtors	17,404	15,284
Amounts due from related companies	982	1,991
Derivative financial instruments	<u>1,352</u>	<u>56</u>
	<u>119,181</u>	<u>98,375</u>

Note: On the date of transition to HKFRS 16, prepaid lease payments of \$1,169,000 previously included in "Deposits, prepayments and other debtors" were adjusted to right-of-use assets recognised at 1 April 2019. See note 2.

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:

	2020 \$'000	2019 \$'000
Within 1 month	46,335	38,472
Over 1 month but within 2 months	24,278	18,669
Over 2 months but within 3 months	17,331	7,142
Over 3 months but within 4 months	6,297	8,801
Over 4 months	5,202	7,960
	<u>99,443</u>	<u>81,044</u>

Trade debtors and bills receivable are due between 0 to 330 days from the date of billing.

13. TRADE AND OTHER PAYABLES

	2020 \$'000	2019 \$'000
Trade creditors	40,406	43,776
Bills payable	708	1,127
	<u>41,114</u>	<u>44,903</u>
Accrued charges and other creditors	31,799	38,941
Amounts due to related companies	224	198
Amounts due to joint ventures	13	648
	<u>73,150</u>	<u>84,690</u>

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:

	2020 \$'000	2019 \$'000
Within 1 month	24,823	21,396
Over 1 month but within 2 months	4,741	10,268
Over 2 months but within 3 months	4,023	9,491
Over 3 months	7,527	3,748
	<u>41,114</u>	<u>44,903</u>

14. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

The current adverse situation caused by the COVID-19 pandemic on top of the U.S./China trade dispute is unseen in the industry ever before. The Group expected its operating results will be further deteriorated in the coming year when deeper impact from the pandemic will be realised.

Given the unpredictability of future developments brought by the pandemic, it is difficult for management to assess the financial impact on the Group's financial performance at this stage. The Group will closely monitor the development of the outbreak and minimise the impact on the financial position and operating results of the Group by cutting overhead expenses, closing non-profitable divisions and to conserve cash.

DIVIDENDS

The Board has resolved not to declare the payment of final dividend for the year ended 31 March 2020 (2019: HK12 cents per ordinary share). The aggregate final dividend amounting to HK\$nil (2019: HK\$24,810,000).

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 15 September 2020 to 18 September 2020 (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 Monday, 14 September 2020.

BUSINESS REVIEW AND PROSPECTS

Revenue of the Group for the current year of 2019/20 was HK\$656,212,000 (2018/19: HK\$717,614,000) and the overall result was a loss of HK\$50,786,000 (2018/19: a profit of HK\$20,301,000).

Revenue of the year under review was 9% less than the previous year, and our core garment business although performed less favorably still recorded a positive result. However, the overall performance of our business for the year under review incurred a substantial loss. The main reasons for the adverse results besides the drop of revenue were the loss incurred by our Wuxi investments, impairment losses on other property, plant and equipment as well as the decreased value of our investment properties after revaluation.

Our core garment business had a difficult year. However, despite all the unfavorable political and economic adversities, our core garment business was still able to yield a profit from operations of HK\$3,366,000 as compared to HK\$16,259,000 of the year before, a 79% decrease.

A loss was recorded for our China manufacturing operations in Panyu and Guigang for the year under review. The reduction of fabric orders, the weakness of the domestic market as well as the low efficiency of workers attributed to the negative results of our China operation.

Our factory in Bangladesh in the year under review incurred a loss. Uneven spread of orders and low efficiency of workers due to the change of production patterns were the main reasons that caused the negative results.

Our woven section in our Myanmar factory maintained good profits but offset by losses incurred from start-up of knit section. However overall performance still recorded a positive result for the year under review.

Our Wuxi investment suffered a big loss in the current year. Adverse factors that attributed to the negative results included: trade friction between the U.S. and China, depressed yarn prices, lowered gross margins, prolonged inventory holding, the subsequent outbreak of COVID-19 that softened the market demand, and the start-up costs in the new Ethiopia project.

OUTLOOK

The current adverse situation caused by COVID-19 pandemic on top of the U.S./China trade dispute is unseen in our industry ever before. Not only had it badly affected our business in every way during the last few months of the year under review, but it will also further deteriorate our results in the coming year when deeper impact from the pandemic will be felt.

This pandemic lock down is causing our customers worldwide serious problems resulting them to ask for cancellation and discounts and even causing bad debts to us. While we are doing our best to manage these situations, more losses must be expected. The other proactive things the management can do at the present time are to cut overhead expenses, close non-profitable divisions and conserve cash. Fortunately, at the time of writing, our Group's cash position is strong and can weather such adverse business environment for a long time until things hopefully can improve.

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. In addition to our fully owned factories in China (Panyu and Guigang), Bangladesh and Myanmar, we are also working with many factories in partnership in Vietnam, Indonesia and Cambodia serving the needs of our customers worldwide. Besides Hong Kong and places where we have factories, we also have offices in other parts of 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.

It was a difficult year for our core garment business. The uncertainties and instabilities brought about by the U.S./China trade war and the subsequent COVID-19 pandemic made it so much harder for our management. Despite all these adverse factors, a slight profit was recorded for the year under review. However, the management is pessimistic of the coming year's results when the two detrimental factors continue to haunt our industry.

Our China factories operating under the names of Exquisite Knitters (Guangzhou) Limited and Whampoa Garment Manufacturing (Guigang) Co., Ltd. had recorded an overall loss for the year. The decrease of fabric orders, the weak domestic market as well as the low efficiency of our workers at the factory due to the change of production pattern had affected our China operation's performance. The coming year continues to be difficult. Trade war between China and the U.S. is still raging and the COVID-19 pandemic shows no sign of subsiding. These adverse factors have taken a heavy toll on our China operation and the management expect of the coming year's results to be disappointing.

2019/20 was another difficult year for our Bangladesh factory. Short of orders in the first half of the year resulted a loss. We had developed more customers in the second half of the year and the capacity was fully filled. Due to the change of the business trend, there were more fancy styles but in smaller quantity per order. This resulted in much lower efficiency and extra overtime work that caused wage increase and added to our loss. As this kind of business trend will continue in the coming future, the management will invest in automatic equipments to improve our production. COVID-19 pandemic continues to hit our operation and will continue throughout the coming year. Earlier our Bangladesh factory was forced to close down for a month to avoid widespread of the virus. Due to the temporary shutdown of the Government offices and terminal, logistics have been a problem resulting in late clearance of materials and customs declarations. Delayed shipments are expected for the first half of the coming year and, in fact, some orders had already been cancelled and postponed. As many of our customers' shops have been closed for a long period of time, we expect they would place less orders for the coming season.

The woven section of our factory in Myanmar – Dagon Talent Garment Limited, contributed good profit to the operation while the knitted section suffered a loss due to fresh setup with a lower efficiency. Overall, our Myanmar factory recorded a small profit as expected, thanks to the stable work force and productivity. Myanmar is also suffering from the COVID-19 pandemic. Our factory was closed for 10 days as requested by the local government. The temporary shutdown of the country till end of June 2020 has caused logistic problems for our material clearance, coupled with the cancellation and postponement of orders, there had been a shortage of orders for two months. In general, the woven section can still manage due to stable orders but the knitted section will be affected seriously due to unstable orders and lower efficiency.

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 loss of HK\$24,295,000 in the year under review (2018/19: a share of profit of HK\$12,007,000). Factors that attributed to the loss included trade friction between the U.S. and China, depressed yarn prices, lowered gross margins, lengthened stockholding and increased stockholding costs, the subsequent outbreak of COVID-19 pandemic that softened the market demand as well as the investment in Ethiopia that incurred setup costs, increased interest cost with no revenue. For year 2020/21, COVID-19 pandemic is expected to continue to dampen market sentiment, demand to be soft, competition stiff and turnover and gross margins will be affected.

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 2020, the cash and bank balances of the Group were approximately HK\$272,451,000 (2019: HK\$323,769,000). As at 31 March 2020 and 2019, 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 2020, the Group has forward foreign exchange contracts hedging forecast transactions with net fair value of HK\$1,352,000 (assets) (2019: HK\$56,000 (assets)), recognised as derivative financial instruments.

PLEDGE OF ASSETS

As at 31 March 2020, none of the assets of the Group was pledged.

EMPLOYMENT AND REMUNERATION POLICIES

As at 31 March 2020, the Group, including its subsidiaries but excluding its joint ventures, employed approximately 4,300 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 2020.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied throughout the year ended 31 March 2020 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 2020.

ANNUAL GENERAL MEETING

The annual general meeting of the shareholders of the Company will be held on Friday, 18 September 2020 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 2020 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 June 2020

As at the date of this announcement, the Board consists of six 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, and Mr. So Ying Woon, Alan and three independent non-executive directors, namely Mr. Choi Ting Ki, Mr. So Stephen Hon Cheung and Mr. Li Guangming.