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

**ANNOUNCEMENT OF INTERIM RESULTS**  
**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019**

The Board of Directors of Yangtzekiang Garment Limited (“**the Company**”) hereby announces the unaudited interim results of the Company and its subsidiaries (together referred to as “**the Group**”) and the Group’s interests in joint ventures for the six months ended 30 September 2019 as follows. The interim results have not been audited, but have been reviewed by the Company’s Audit Committee.

**Consolidated Statement of Profit or Loss**  
**For the six months ended 30 September 2019 – unaudited**  
*(Expressed in Hong Kong dollars)*

		<b>Six months ended 30 September</b>	
		<b>2019</b>	2018
			<i>(Note)</i>
	<i>Note</i>	<b>\$'000</b>	<b>\$'000</b>
<b>Revenue</b>	3 & 4	<b>290,966</b>	317,796
Cost of sales		<u><b>(245,393)</b></u>	<u>(260,104)</u>
<b>Gross profit</b>		<b>45,573</b>	57,692
Other income		<b>6,664</b>	1,674
Selling and distribution expenses		<b>(23,360)</b>	(26,538)
Administrative expenses		<b>(30,011)</b>	(30,432)
Other operating expenses		<u><b>(7,944)</b></u>	<u>(7,432)</u>
<b>Loss from operations</b>		<b>(9,078)</b>	(5,036)
Finance costs	5(a)	<b>(2,054)</b>	(1,674)
Share of (loss)/profits of joint ventures		<b>(3,991)</b>	7,452
Gain on deregistration of a subsidiary	6	<b>1,078</b>	-
Net valuation loss on investment properties	10(c)	<u><b>(4,155)</b></u>	<u>-</u>
<b>(Loss)/profit before taxation</b>	5	<b>(18,200)</b>	742
Income tax	7	<u><b>(648)</b></u>	<u>(1,719)</u>
<b>Loss for the period</b>		<u><b>(18,848)</b></u>	<u>(977)</u>
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>(18,896)</b>	1,270
Non-controlling interests		<u><b>48</b></u>	<u>(2,247)</u>
<b>Loss for the period</b>		<u><b>(18,848)</b></u>	<u>(977)</u>
<b>(Loss)/earnings per share</b>			
Basic and diluted	9	<u><b>(\$0.09)</b></u>	<u>\$0.01</u>

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

Details of dividends payable to equity shareholders of the Company attributable to the period are set out in note 8.

**Consolidated Statement of Profit or Loss and  
Other Comprehensive Income**  
**For the six months ended 30 September 2019 – unaudited**  
*(Expressed in Hong Kong dollars)*

	<b>Six months ended 30 September</b>	
	<b>2019</b>	<b>2018</b>
		<i>(Note)</i>
<i>Note</i>	<b>\$'000</b>	<b>\$'000</b>
<b>Loss for the period</b>	<b>(18,848)</b>	<b>(977)</b>
<b>Other comprehensive income for the period (after tax and reclassification adjustments)</b>		
<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)	<b>(774)</b>	-
<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	<b>(4,934)</b>	(9,211)
- share of joint ventures' net assets	<b>(32,499)</b>	(50,994)
	<b>(37,433)</b>	(60,205)
Release of exchange reserve to profit or loss upon deregistration of a subsidiary	<b>(1,078)</b>	-
Cash flow hedges:		
net movement in the hedging reserve	-	2,356
Other comprehensive income for the period	<b>(39,285)</b>	<b>(57,849)</b>
<b>Total comprehensive income for the period</b>	<b>(58,133)</b>	<b>(58,826)</b>
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>(58,576)</b>	(56,546)
Non-controlling interests	<b>443</b>	(2,280)
<b>Total comprehensive income for the period</b>	<b>(58,133)</b>	<b>(58,826)</b>

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

**Consolidated Statement of Financial Position**  
**At 30 September 2019 – unaudited**  
*(Expressed in Hong Kong dollars)*

		At 30 September 2019	At 31 March 2019 <i>(Note)</i>
	<i>Note</i>	<i>\$'000</i>	<i>\$'000</i>
<b>Non-current assets</b>			
Investment properties	<i>10</i>	236,634	242,239
Other property, plant and equipment	<i>2, 10</i>	74,614	54,761
Interest in leasehold land held for own use under operating leases		<u>1,189</u>	<u>1,292</u>
		312,437	298,292
Intangible assets		2,938	2,985
Interests in joint ventures		509,664	546,154
Other financial assets		<u>19,221</u>	<u>20,011</u>
		<u>844,260</u>	<u>867,442</u>
<b>Current assets</b>			
Inventories		83,023	69,177
Trade and other receivables	<i>11</i>	111,853	98,375
Current tax recoverable		472	347
Cash at bank and in hand		<u>286,161</u>	<u>323,769</u>
		<u>481,509</u>	<u>491,668</u>
<b>Current liabilities</b>			
Trade and other payables	<i>12</i>	114,952	84,690
Contract liabilities		4,714	4,952
Lease liabilities	<i>2(d)</i>	4,520	-
Current tax payable		<u>13,284</u>	<u>14,709</u>
		<u>137,470</u>	<u>104,351</u>
<b>Net current assets</b>		<u>344,039</u>	<u>387,317</u>
<b>Total assets less current liabilities</b>		<u>1,188,299</u>	<u>1,254,759</u>
<b>Non-current liabilities</b>			
Provision for long service payments		23,190	23,498
Lease liabilities	<i>2(d)</i>	16,131	-
Deferred tax liabilities		<u>16,784</u>	<u>16,516</u>
		<u>56,105</u>	<u>40,014</u>
<b>NET ASSETS</b>		<u>1,132,194</u>	<u>1,214,745</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		208,418	208,418
Reserves		<u>924,842</u>	<u>1,008,228</u>
<b>Total equity attributable to equity shareholders of the Company</b>		1,133,260	1,216,646
<b>Non-controlling interests</b>		<u>(1,066)</u>	<u>(1,901)</u>
<b>TOTAL EQUITY</b>		<u>1,132,194</u>	<u>1,214,745</u>

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

Notes:  
(Expressed in Hong Kong dollars)

## 1. BASIS OF PREPARATION

This interim financial results have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 28 November 2019.

The interim financial results have been prepared in accordance with the same accounting policies adopted in the annual financial statements of the Group for the year ended 31 March 2019, except for the accounting policy changes that are expected to be reflected in the annual financial statements of the Group for the year ending 31 March 2020. Details of these changes in accounting policies are set out in note 2.

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

The interim financial results contain consolidated statement of financial position as at 30 September 2019 and the related consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income for the six months period then ended and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements of the Group for the year ended 31 March 2019. This interim financial results do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

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

The financial information relating to the financial year ended 31 March 2019 that is included in the interim financial results as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 March 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 section 406(2), 407(2) or (3) of the Companies Ordinance.

## 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 in this interim financial result. 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.

The Group has initially applied HKFRS 16 as from 1 April 2019. The Group has elected to use the modified retrospective approach and there are no adjustment to the opening balance of equity at 1 April 2019. 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) Changes in the accounting policies**

*(i) 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.

*(ii) Lessee accounting*

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. As far as the Group is concerned, these newly capitalised leases are primarily in relation to properties.

Where the contract contains lease component(s) and non-lease component(s), the group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

*(iii) Leasehold investment property*

Under HKFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation ("leasehold investment properties"). The adoption of HKFRS 16 does not have a significant impact on the Group's financial statements as the Group previously elected to apply HKAS 40, *Investment properties*, to account for all of its leasehold properties that were held for investment purposes as at 31 March 2019. Consequentially, these leasehold investment properties continue to be carried at fair value.

**(b) Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies**

*Determining the lease term*

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

**(c) Transitional impact**

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 8.4%.

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;
- (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); and
- (iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 March 2019 as an alternative to performing an impairment review.

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:

	1 April 2019 \$'000
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 subsequent periods where the Group considers it reasonably certain that it will not exercise the termination options	<u>25,215</u>
	27,547
Less: total future interest expenses	<u>(5,059)</u>
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019 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 or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 31 March 2019.

The Group presents right-of-use assets that do not meet the definition of investment property in "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
<b>Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:</b>			
Other property, plant and equipment	54,761	23,657	78,418
<b>Total non-current assets</b>	<b>867,442</b>	<b>23,657</b>	<b>891,099</b>
Trade and other receivables	98,375	(1,169)	97,206
<b>Total current assets</b>	<b>491,668</b>	<b>(1,169)</b>	<b>490,499</b>
Lease liabilities (current)	-	4,383	4,383
<b>Total current liabilities</b>	<b>104,351</b>	<b>4,383</b>	<b>108,734</b>
<b>Net current assets</b>	<b>387,317</b>	<b>(5,552)</b>	<b>381,765</b>
<b>Total assets less current liabilities</b>	<b>1,254,759</b>	<b>18,105</b>	<b>1,272,864</b>
Lease liabilities (non-current)	-	18,105	18,105
<b>Total non-current liabilities</b>	<b>40,014</b>	<b>18,105</b>	<b>58,119</b>
<b>Net assets</b>	<b>1,214,745</b>	<b>-</b>	<b>1,214,745</b>

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to HKFRS 16 is as follows:

	At 30 September 2019 \$'000	At 1 April 2019 \$'000
Included in "Other property, plant and equipment":		
Other properties leased for own use, carried at depreciated cost	<u>20,535</u>	<u>23,657</u>
	<b>20,535</b>	<b>23,657</b>
Interest in leasehold land held for own use, carried at depreciated cost	<u>1,189</u>	<u>1,292</u>
	<b>21,724</b>	<b>24,949</b>

**(d) Lease liabilities**

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to HKFRS 16 are as follows:

	At 30 September 2019		At 1 April 2019	
	Present value of the minimum lease payment \$'000	Total minimum lease payment \$'000	Present value of the minimum lease payment \$'000	Total minimum lease payment \$'000
Within 1 year	<u>4,520</u>	<u>5,962</u>	<u>4,383</u>	<u>6,050</u>
After 1 year but within 2 years	3,946	5,071	4,086	5,382
After 2 year but within 5 years	10,653	12,158	12,283	14,269
After 5 years	<u>1,532</u>	<u>1,548</u>	<u>1,736</u>	<u>1,846</u>
	<u>16,131</u>	<u>18,777</u>	<u>18,105</u>	<u>21,497</u>
	<b>20,651</b>	<b>24,739</b>	<b>22,488</b>	<b>27,547</b>
Less: total future interest expenses		<u>(4,088)</u>		<u>(5,059)</u>
Present value of lease liabilities		<b>20,651</b>		<b>22,488</b>

### 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:

	Six months ended 30 September	
	2019	2018
	\$'000	\$'000
<b>Under the scope of HKFRS 15,</b>		
<b>Revenue from contracts with customers:</b>		
- Manufacture and sale of garments	270,509	296,108
- Manufacture and sale of textiles	397	2,643
- Processing service income	17,008	15,993
	<u>287,914</u>	<u>314,744</u>
<b>Under the scope of HKAS 17, Leases:</b>		
- Gross rentals from investments properties	<u>3,052</u>	<u>3,052</u>
	<u>290,966</u>	<u>317,796</u>

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

### 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) **Information about profit or loss, assets and liabilities**

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

	<b>Manufacture and sale of garments and textiles</b>		<b>Interests in joint ventures</b>		<b>Property leasing</b>		<b>Total</b>	
	<b>2019</b>	2018	<b>2019</b>	2018	<b>2019</b>	2018	<b>2019</b>	2018
		<i>(Note)</i>						<i>(Note)</i>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>For the six months ended 30 September</b>								
Revenue from external customers	<b>287,914</b>	314,744	-	-	<b>3,052</b>	3,052	<b>290,966</b>	317,796
Inter-segment revenue	-	-	-	-	<b>544</b>	658	<b>544</b>	658
<b>Reportable segment revenue</b>	<b>287,914</b>	<b>314,744</b>	<b>-</b>	<b>-</b>	<b>3,596</b>	<b>3,710</b>	<b>291,510</b>	<b>318,454</b>
<b>Reportable segment profit/(loss) (adjusted EBITDA)</b>	<b>(7,499)</b>	<b>(5,743)</b>	<b>(3,991)</b>	7,452	<b>3,310</b>	3,470	<b>(8,180)</b>	5,179
	<b>30 September 2019</b>	31 March 2019	<b>30 September 2019</b>	31 March 2019	<b>30 September 2019</b>	31 March 2019	<b>30 September 2019</b>	31 March 2019
<b>Reportable segment assets</b>	<b>556,088</b>	546,456	<b>509,664</b>	546,154	<b>291,356</b>	306,867	<b>1,357,108</b>	1,399,477
Additions to non-current segment assets during the period	<b>2,040</b>	7,098	-	-	-	-	<b>2,040</b>	7,098
<b>Reportable segment liabilities</b>	<b>159,336</b>	108,908	<b>-</b>	-	<b>-</b>	-	<b>159,336</b>	108,908

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

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

**(b) Reconciliations of reportable segment profit or loss**

	Six months ended 30 September	
	2019	2018
	\$'000	(Note) \$'000
Reportable segment profit derived from Group's external customers (adjusted EBITDA)	<b>(8,180)</b>	5,179
Finance costs	<b>(2,054)</b>	(1,674)
Interest income	<b>1,866</b>	1,293
Depreciation and amortisation	<b>(4,385)</b>	(2,401)
Gain on deregistration of a subsidiary	<b>1,078</b>	-
Net valuation loss on investment properties	<b>(4,155)</b>	-
Unallocated head office and corporate expenses	<b>(2,370)</b>	(1,655)
Consolidated profit before taxation	<b>(18,200)</b>	742

*Note:* The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, 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 under operating leases, intangible assets, interests in joint ventures ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of investment properties, other property, plant and equipment and interest in leasehold land held for own use under operating leases, the location of the operation to which they are allocated, in the case of intangible assets, and the location of operations, in the case of interests in joint ventures.

	Revenue from external customers		Specified non-current assets	
	Six months ended 30 September		30 September	31 March
	2019	2018	2019	2019
	\$'000	\$'000	\$'000	\$'000
Hong Kong (place of domicile)	19,474	16,426	252,390	257,593
Europe				
- United Kingdom	35,967	45,286	-	-
- Italy	51,520	60,716	-	-
- Spain	22,305	29,376	-	-
- Germany	49,398	53,172	-	-
- Other European countries	5,775	8,852	-	-
Mainland China	20,740	19,246	556,113	584,898
North America				
- United States	53,500	55,277	-	-
- Canada	4,237	2,409	-	-
Others	28,050	27,036	16,538	4,940
	271,492	301,370	572,651	589,838
	290,966	317,796	825,041	847,431

## 5. (LOSS)/PROFIT BEFORE TAXATION

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

	Six months ended 30 September	
	2019	2018
	\$'000	(Note) \$'000
<b>(a) Finance costs</b>		
Interest on bank advances (including bank charges)	1,183	1,674
Interest on lease liabilities	871	-
	<u>2,054</u>	<u>1,674</u>
<b>(b) Other items</b>		
Amortisation of pre-paid interests in leasehold land	27	28
Amortisation of intangible assets	47	47
Depreciation		
- owned property, plant and equipment	1,996	2,326
- right-of use assets	2,316	-
Dividends income and interest income	(2,367)	(2,069)
Gain on disposal of other property, plant and equipment	(24)	(125)
	<u>(24)</u>	<u>(125)</u>

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

## 6. GAIN ON DEREGISTRATION OF A SUBSIDIARY

On 24 June 2019, a wholly owned subsidiary of the Group, Whampoa Garment Manufacturing (Guangxi) Co., Ltd., was deregistered and the one-off non-cash gain of \$1,078,000 arising from the release of exchange reserve was recognised in profit or loss for the six months ended 30 September 2019.

## 7. INCOME TAX

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

	Six months ended 30 September	
	2019	2018
	\$'000	\$'000
<b>Current tax - Hong Kong Profits Tax</b>	119	1,512
<b>Current tax - Overseas</b>	165	184
<b>Deferred tax relating to the origination and reversal of temporary differences</b>	364	23
	<u>648</u>	<u>1,719</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 period.

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

## 8. DIVIDENDS

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

No interim dividend declared and paid after the interim period end (2018: nil).

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

Final dividend of \$0.12 per ordinary share in respect of the year ended 31 March 2019 amounted to \$24,810,000 was approved in the Company's Annual General Meeting on 18 September 2019. The dividends were paid on 4 October 2019.

Final dividend of \$0.12 per ordinary share in respect of the year ended 31 March 2018 amounted to \$24,810,000 was approved during the period ended 30 September 2018 and paid on 21 September 2018.

## 9. (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 \$18,896,000 (2018: profit of \$1,270,000) and the weighted average number of 206,748,000 (2018: 206,748,000) ordinary shares in issue during the period.

### (b) Diluted (loss)/earnings per share

The diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share as there were no dilutive potential ordinary shares in existence during the periods ended 30 September 2019 and 2018.

## 10. INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT

### (a) Right-of-use assets

As discussed in note 2, the Group has initially applied HKFRS 16 using the modified retrospective method 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. Further details on the net book value of the Group's right-of-use assets by class of underlying asset are set out in note 2.

During the six months ended 30 September 2019, the Group entered into a number of lease agreements and therefore recognised the additions to right-of-use assets of \$4,168,000.

### (b) Acquisitions and disposal of owned assets

During the six months ended 30 September 2019, the Group acquired items of other property, plant and equipment with a cost of \$2,040,000 (six months ended 30 September 2018: \$907,000). Items of other property, plant and equipment with a net book value of \$2,000 were disposed of during the six months ended 30 September 2019 (six months ended 30 September 2018: \$28,000), resulting in a net gain on disposal of \$24,000 (six months ended 30 September 2018: net gain on disposal of \$125,000).

### (c) Valuation

The valuations of investment properties carried at fair value were updated at 30 Sept 2019 by the group's independent valuer using the same valuation techniques as were used by this valuer when carrying out the March 2019 valuations.

As a result of the update, a net loss of \$4,155,000 (2018: Nil) has been recognised in profit or loss for the period in respect of investment properties.

## 11. TRADE AND OTHER RECEIVABLES

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

	30 September 2019 \$'000	31 March 2019 \$'000
Within 1 month	35,454	38,472
Over 1 month but within 2 months	35,273	18,669
Over 2 months but within 3 months	10,304	7,142
Over 3 months but within 4 months	8,476	8,801
Over 4 months	3,723	7,960
Trade debtors and bills receivable, net of allowance for doubtful debts	93,230	81,044
Deposits, prepayments and other debtors (note)	17,437	15,284
Amounts due from related companies	168	1,991
Derivative financial instruments	1,018	56
	<u>111,853</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.

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

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

## 12. TRADE AND OTHER PAYABLES

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

	<b>30 September</b>	31 March
	<b>2019</b>	2019
	<b>\$'000</b>	\$'000
Within 1 month	<b>30,392</b>	21,396
Over 1 month but within 2 months	<b>12,651</b>	10,268
Over 2 months but within 3 months	<b>1,801</b>	9,491
Over 3 months	<b>4,075</b>	3,748
Trade creditors and bills payable	<b>48,919</b>	44,903
Accrued charges and other creditors	<b>40,775</b>	38,941
Amounts due to related companies	<b>435</b>	198
Amounts due to joint ventures	<b>13</b>	648
Dividends payable	<b>24,810</b>	-
	<b>114,952</b>	84,690

## INTERIM DIVIDEND

The Board has resolved not to declare the payment of interim dividend for the six months ended 30 September 2019 (2018: nil).

## BUSINESS REVIEW AND PROSPECTS

	<b>Six months ended</b>		
	<b>30 September</b>		
	<b>2019</b>	2018	+/-
	<b>HK\$'000</b>	HK\$'000	Change
Revenue	<b>290,966</b>	317,796	-8%
Gross profit	<b>45,573</b>	57,692	-21%
Gross profit margin	<b>16%</b>	18%	-2pp
Loss from operations	<b>(9,078)</b>	(5,036)	+80%
Operating margin	<b>-3%</b>	-2%	-1pp
(Loss)/profit attributable to equity shareholders of the Company	<b>(18,896)</b>	1,270	-1,588%
Net profit margin	<b>-6.5%</b>	0.4%	-7pp
Earnings before interest income, finance costs, income tax, depreciation and amortisation (EBITDA)	<b>(13,626)</b>	3,524	-487%
EBITDA margin	<b>-5%</b>	1%	-6pp
(Loss)/earnings per share - basic	<b>(\$0.09)</b>	\$0.01	-1,000%

During the six months under review, our company recorded an overall loss of HK\$18,848,000 as compared with a loss of HK\$977,000 for the same period last year. Our core garment business and most of our garment factories as well as our Wuxi investment had experienced worse results than last year.

There was a loss in our Bangladesh factory in the first half of the year under review due to shortage of orders and the low efficiency of our sewers caused by products transformation. The second half of the year being our factory's high season has sufficient orders and with improvements of our production technology, we are hopeful that some profits can be generated to offset the loss incurred earlier of the year.

The woven section of our Myanmar operation for the first half of the year recorded positive results. However, the knitted section being a newly setup division and because of shortage of skillful workers, the productivity was low and a loss was reported for the period under review.

The U.S-China trade war and the slow down of the domestic China market affected our China operation and a loss was recorded for the interim period. We expect more U.S. customers will shift their business to other countries because of the trade war uncertainties. Negative result is expected to prevail into the second half of the financial year under review.

Same adverse factors that affected our China operation also affected our joint venture operation in Wuxi, China and a loss was recorded in the first half of 2019/20. The construction of the Ethiopia factory has resulted in set-up expenditure and an increase of interest costs. The operating environment for the second half of the current financial year will remain uncertain.

The continuous U.S.-China trade war, the uncertain U.K.'s Brexit as well as the escalating manufacturing costs have caused great instability to our core garment business. The remaining year as well as the coming year will be difficult and challenging.

## **LIQUIDITY AND FINANCIAL POSITION**

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

As at 30 September 2019, the cash and bank balances of the Group were approximately HK\$286,161,000 (as at 31 March 2019: HK\$323,769,000). As at 30 September 2019 and 31 March 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 30 September 2019, the Group has forward foreign exchange contracts hedging forecast transactions with net fair value of HK\$1,018,000 (assets) (as at 31 March 2019: HK\$56,000 (assets)), recognised as derivative financial instruments.

## **PLEDGE OF ASSETS**

As at 30 September 2019, none of the assets of the Group was pledged.

## **EMPLOYMENT AND REMUNERATION POLICIES**

As at 30 September 2019, the Group, including its subsidiaries but excluding joint ventures, employed approximately of 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 period ended 30 September 2019.

## **AUDIT COMMITTEE**

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises four independent non-executive directors of the Company.

The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and the unaudited interim financial statements of the Group for the period ended 30 September 2019.

## **CORPORATE GOVERNANCE PRACTICES**

In the opinion of the Board, the Company has complied throughout the period ended 30 September 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.

## **DIRECTORS' SECURITIES TRANSACTIONS**

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

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT**

The results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.ygm.com.hk](http://www.ygm.com.hk) under "Results Announcement". The interim report for the six months ended 30 September 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, 28 November 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.*