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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 2014**

The Board of Directors of Yangtzekiang Garment Limited (“**the Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (together referred to as “**the Group**”) and the Group’s interests in associates and joint ventures for the year ended 31 March 2014 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 2014**

*(Expressed in Hong Kong dollars)*

	<i>Note</i>	<b>2014</b>	2013
		<b>\$'000</b>	\$'000
<b>Turnover</b>	3&4	<b>1,074,132</b>	1,333,068
Cost of sales		<u>(916,852)</u>	<u>(1,110,978)</u>
<b>Gross profit</b>		<b>157,280</b>	222,090
Other revenue		4,837	4,456
Other net income		2,516	423
Selling and distribution expenses		(77,793)	(81,870)
Administrative expenses		(70,191)	(72,444)
Other operating expenses		<u>(25,148)</u>	<u>(33,382)</u>
<b>(Loss)/profit from operations</b>		<b>(8,499)</b>	39,273
Finance costs	5(a)	(3,860)	(4,398)
Share of losses of associates		(220)	(398)
Share of profits/ (losses) of joint ventures		18,515	(4,821)
Impairment losses on fixed assets		(6,935)	(8,504)
Net valuation gains on investment properties		<u>19,257</u>	<u>44,905</u>
<b>Profit before taxation</b>	5	<b>18,258</b>	66,057
Income tax	6	<u>(7,059)</u>	<u>(10,311)</u>
<b>Profit for the year</b>		<b><u>11,199</u></b>	<b><u>55,746</u></b>
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>11,920</b>	53,082
Non-controlling interests		<u>(721)</u>	<u>2,664</u>
<b>Profit for the year</b>		<b><u>11,199</u></b>	<b><u>55,746</u></b>
<b>Earnings per share</b>			
Basic and diluted	8	<b><u>\$0.06</u></b>	<b><u>\$0.26</u></b>

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

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

**For the year ended 31 March 2014**

*(Expressed in Hong Kong dollars)*

	2014 \$'000	2013 \$'000
<b>Profit for the year</b>	<b>11,199</b>	55,746
<b>Other comprehensive income for the year (after tax and reclassification adjustments)</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of:		
- financial statements of subsidiaries outside Hong Kong	3,965	1,662
- share of associates' and joint ventures' net assets	<u>10,221</u>	<u>3,689</u>
	<b>14,186</b>	5,351
Available-for-sale securities:		
net movement in the investment revaluation reserve	440	(984)
Cash flow hedges:		
net movement in the hedging reserve	<u>(123)</u>	<u>48</u>
Other comprehensive income for the year	<u>14,503</u>	<u>4,415</u>
<b>Total comprehensive income for the year</b>	<b><u>25,702</u></b>	<b><u>60,161</u></b>
<b>Attributable to:</b>		
Equity shareholders of the Company	26,333	57,300
Non-controlling interests	<u>(631)</u>	<u>2,861</u>
<b>Total comprehensive income for the year</b>	<b><u>25,702</u></b>	<b><u>60,161</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2014

(Expressed in Hong Kong dollars)

	Note	2014 \$'000	2013 \$'000
<b>Non-current assets</b>			
Fixed assets			
- Investment properties		233,776	213,783
- Other property, plant and equipment		69,874	87,599
- Interest in leasehold land held for own use under operating leases		<u>1,696</u>	<u>1,727</u>
		305,346	303,109
Intangible assets			
Goodwill		3,117	3,117
Interests in associates		-	-
Interests in joint ventures		1,912	2,096
Prepayment for fixed assets		638,810	610,118
Other financial assets		-	870
Deferred tax assets		7,381	7,069
		<u>2,403</u>	<u>2,454</u>
		958,969	928,833
<b>Current assets</b>			
Inventories		115,254	78,340
Trade and other receivables	9	158,752	192,795
Cash and cash equivalents		<u>275,070</u>	<u>270,015</u>
		549,076	541,150
<b>Current liabilities</b>			
Trade and other payables	10	176,410	150,810
Current tax payable		<u>9,445</u>	<u>15,288</u>
		185,855	166,098
<b>Net current assets</b>			
		<u>363,221</u>	<u>375,052</u>
<b>Total assets less current liabilities</b>			
		<u>1,322,190</u>	<u>1,303,885</u>
<b>Non-current liabilities</b>			
Provision for long service payments		21,302	22,915
Deferred tax liabilities		<u>13,596</u>	<u>9,043</u>
		34,898	31,958
<b>NET ASSETS</b>			
		<u>1,287,292</u>	<u>1,271,927</u>
<b>CAPITAL AND RESERVES</b>			
Share capital: nominal value		-	103,374
Other statutory capital reserves		-	105,044
Share capital and other statutory capital reserves		<u>208,418</u>	<u>208,418</u>
Other reserves		<u>1,071,598</u>	<u>1,055,602</u>
<b>Total equity attributable to equity shareholders of the Company</b>			
		1,280,016	1,264,020
Non-controlling interests		<u>7,276</u>	<u>7,907</u>
<b>TOTAL EQUITY</b>			
		<u>1,287,292</u>	<u>1,271,927</u>

NOTES:

(Expressed in Hong Kong dollars)

**1. BASIS OF PREPARATION**

The consolidated results set out in this announcement do not constitute the Group's statutory financial statements for the year ended 31 March 2014 but are extracted from those financial statements.

The consolidated financial statements of the Group for the year ended 31 March 2014 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") and accounting principles generally accepted in Hong Kong. These financial statements comply with the applicable requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that 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, financial instruments classified as available-for-sale securities and derivative financial instruments held as cash flow hedging 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 2014 have been compared by the Company's auditors, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 March 2014 and the amounts have been 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 and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*
- HKFRS 10, *Consolidated financial statements*
- HKFRS 11, *Joint arrangements*
- HKFRS 12, *Disclosure of interests in other entities*
- HKFRS 13, *Fair value measurement*

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

Impacts of the adoption of the new or amended HKFRSs are discussed below:

**Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income***

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the consolidated statement of profit or loss and other comprehensive income in these financial statements has been modified accordingly. In addition, the Group has chosen to use the new titles "statement of profit or loss" and "statement of profit or loss and other comprehensive income" as introduced by the amendments in these financial statements.

### **HKFRS 10, Consolidated financial statements**

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and HK-SIC 12 *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 April 2013.

### **HKFRS 11, Joint arrangements**

HKFRS 11, which replaces HKAS 31, *Interests in joint ventures*, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under HKFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under HKFRS 11 and are required to be accounted for using the equity method in the Group's consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice.

As a result of the adoption of HKFRS 11, the Group has changed its accounting policy with respect to its interests in joint arrangements and re-evaluated its involvement in its joint arrangements. The Group has reclassified the investment from jointly controlled entities to joint ventures. The investment continues to be accounted for using the equity method and therefore this reclassification does not have any material impact on the financial position and the financial result of the Group.

### **HKFRS 12, Disclosure of interests in other entities**

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards.

### **HKFRS 13, Fair value measurement**

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

## **3. TURNOVER**

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

Turnover represents the invoiced value of goods supplied to customers, processing service income and rental income. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	<b>2014</b>	2013
	<b>\$'000</b>	\$'000
Manufacture and sale of garments	<b>996,590</b>	1,304,726
Manufacture and sale of textiles	<b>46,968</b>	11,635
Processing service income	<b>22,568</b>	9,665
Property rental income	<b>8,006</b>	7,042
	<b><u>1,074,132</u></b>	<b><u>1,333,068</u></b>

The Group's customer base is diversified and includes only one customer (2013: two) with whom transactions have exceeded 10% of the Group's turnover. For the year ended 31 March 2014, revenue from sales of garments to the customer, including sales to entities which are known to the Group to be under common control with the customer, amounted to approximately \$165,199,000 (2013: \$411,661,000) and arose in all geographical regions in which the manufacture and sale of garments and textiles division is active.

#### 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, interests in associates, 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 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 share of profits less losses of associates, 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, 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 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.

(a) Segment results, assets and liabilities (continued)

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 2014 and 2013 is set out below:

	Manufacture and sale of garments and textiles		Interests in joint ventures		Property leasing		Total	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Revenue from external customers	1,066,126	1,326,026	-	-	8,006	7,042	1,074,132	1,333,068
Inter-segment revenue	-	-	-	-	2,346	2,443	2,346	2,443
<b>Reportable segment revenue</b>	<b>1,066,126</b>	<b>1,326,026</b>	<b>-</b>	<b>-</b>	<b>10,352</b>	<b>9,485</b>	<b>1,076,478</b>	<b>1,335,511</b>
<b>Reportable segment (loss)/profit (adjusted EBITDA)</b>	<b>(3,801)</b>	<b>59,256</b>	<b>18,515</b>	<b>(4,821)</b>	<b>8,969</b>	<b>8,173</b>	<b>23,683</b>	<b>62,608</b>
Interest income	2,275	2,255	-	-	-	-	2,275	2,255
Finance costs	(3,860)	(4,398)	-	-	-	-	(3,860)	(4,398)
Depreciation and amortisation	(14,611)	(17,213)	-	-	-	-	(14,611)	(17,213)
Impairment losses on fixed assets	(6,935)	(8,504)	-	-	-	-	(6,935)	(8,504)
<b>Reportable segment assets</b>	<b>619,468</b>	<b>630,932</b>	<b>638,810</b>	<b>610,118</b>	<b>326,783</b>	<b>300,361</b>	<b>1,585,061</b>	<b>1,541,411</b>
Additions to non-current segment assets during the year	2,915	12,468	-	-	-	-	2,915	12,468
<b>Reportable segment liabilities</b>	<b>195,735</b>	<b>172,278</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>195,735</b>	<b>172,278</b>

**(b) Reconciliation of reportable segment revenue, profit or loss, assets and liabilities**

	2014	2013
	\$'000	\$'000
<i>Revenue</i>		
Reportable segment revenue	1,076,478	1,335,511
Elimination of inter-segment revenue	<u>(2,346)</u>	<u>(2,443)</u>
Consolidated turnover	<u><u>1,074,132</u></u>	<u><u>1,333,068</u></u>
	2014	2013
	\$'000	\$'000
<i>Profit</i>		
Reportable segment profit derived from Group's external customers (adjusted EBITDA)	23,683	62,608
Finance costs	(3,860)	(4,398)
Share of losses of associates	(220)	(398)
Impairment losses on fixed assets	(6,935)	(8,504)
Net valuation gains on investment properties	19,257	44,905
Other revenue and net income	7,353	4,879
Depreciation and amortisation	(14,611)	(17,213)
Unallocated head office and corporate expenses	<u>(6,409)</u>	<u>(15,822)</u>
Consolidated profit before taxation	<u><u>18,258</u></u>	<u><u>66,057</u></u>
	2014	2013
	\$'000	\$'000
<i>Assets</i>		
Reportable segment assets	1,585,061	1,541,411
Elimination of inter-segment assets	<u>(93,007)</u>	<u>(86,578)</u>
	1,492,054	1,454,833
Intangible assets	3,117	3,117
Interests in associates	1,912	2,096
Other financial assets	7,381	7,069
Deferred tax assets	2,403	2,454
Unallocated head office and corporate assets	<u>1,178</u>	<u>414</u>
Consolidated total assets	<u><u>1,508,045</u></u>	<u><u>1,469,983</u></u>
	2014	2013
	\$'000	\$'000
<i>Liabilities</i>		
Reportable segment liabilities	195,735	172,278
Current tax payable	9,445	15,288
Deferred tax liabilities	13,596	9,043
Unallocated head office and corporate liabilities	<u>1,977</u>	<u>1,447</u>
Consolidated total liabilities	<u><u>220,753</u></u>	<u><u>198,056</u></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 fixed assets, intangible assets, goodwill, interests in associates and joint ventures and prepayment for fixed assets ("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 fixed assets, the location of the operation to which they are allocated, in the case of intangible assets and goodwill, and the location of operations, in the case of interests in associates and joint ventures.

	Revenues from external customers		Specified non-current assets	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Hong Kong (place of domicile)	76,601	95,704	211,689	194,742
Europe				
- United Kingdom	164,058	209,110	-	-
- Italy	134,150	176,323	-	-
- Other European countries	216,771	246,806	-	-
Mainland China	110,388	203,662	730,750	717,132
North America				
- United States	162,334	191,930	-	-
- Canada	11,586	12,400	-	-
Others	198,244	197,133	6,746	7,436
	997,531	1,237,364	737,496	724,568
	<u>1,074,132</u>	<u>1,333,068</u>	<u>949,185</u>	<u>919,310</u>

5. **PROFIT BEFORE TAXATION**

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

	2014 \$'000	2013 \$'000
<b>(a) Finance costs:</b>		
Interest on bank loans wholly repayable within five years (including bank charges)	3,865	4,393
Other interest expense	-	5
Cash flow hedges: reclassified from equity	(5)	-
	<u>3,860</u>	<u>4,398</u>
<b>(b) Other items:</b>		
Cost of inventories	916,852	1,110,978
Amortisation of pre-paid interests in leasehold land	61	59
Depreciation	14,550	17,154
Net loss on cash flow hedging instruments reclassified from equity	52	-
Impairment loss on trade debtors and bills receivable	-	291
Impairment loss on amount due from an associate	242	4,171
Auditors' remuneration		
- audit services	1,844	1,729
- other services	168	210
Operating lease charges:		
minimum lease payments - property rentals	8,669	8,003
Rentals receivable from investment properties less direct outgoings of \$1,383,000 (2013: \$1,312,000)	<u>(6,623)</u>	<u>(5,730)</u>

## 6. INCOME TAX

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

	2014 \$'000	2013 \$'000
<b>Current tax – Hong Kong Profits Tax</b>		
Provision for the year	7,132	7,891
Under/(over)-provision in respect of prior years	<u>44</u>	<u>(51)</u>
	7,176	7,840
<b>Current tax – Outside Hong Kong</b>		
Provision for the year	357	30
Over-provision in respect of prior years	<u>(5,151)</u>	<u>(700)</u>
	(4,794)	(670)
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<u>4,677</u>	<u>3,141</u>
	<u>7,059</u>	<u>10,311</u>

The provision for Hong Kong Profits Tax for 2014 is calculated at 16.5% (2013: 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 jurisdictions.

## 7. DIVIDENDS

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

	2014 \$'000	2013 \$'000
Final dividend proposed after the end of the reporting period of \$0.03 (2013: \$0.05) per ordinary share	<u>6,202</u>	<u>10,337</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

	2014 \$'000	2013 \$'000
Final dividend in respect of the previous financial year, approved and paid during the year of \$0.05 (2013: \$0.06) per ordinary share	<u>10,337</u>	<u>12,405</u>

## 8. 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 \$11,920,000 (2013: \$53,082,000) and 206,748,000 (2013: 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 2014 and 2013.

## 9. TRADE AND OTHER RECEIVABLES

	2014 \$'000	2013 \$'000
Trade debtors	73,455	89,716
Bills receivable	58,519	61,334
Less: Allowance for doubtful debts	<u>(3,745)</u>	<u>(3,753)</u>
	<b>128,229</b>	147,297
Deposits, prepayments and other debtors	27,721	41,481
Amounts due from related companies	845	2,490
Amounts due from joint ventures	1,940	1,475
Amount due from an associate	17	-
Derivative financial instruments held as cash flow hedging instruments	<u>-</u>	<u>52</u>
	<b><u>158,752</u></b>	<b><u>192,795</u></b>

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

The amounts due from related companies, joint ventures and an associate are unsecured, interest-free and recoverable on demand.

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 of doubtful debts, is as follows:

	2014 \$'000	2013 \$'000
Within 1 month	65,708	61,751
1 to 2 months	19,348	24,944
2 to 3 months	28,597	45,001
3 to 4 months	6,436	10,998
Over 4 months	<u>8,140</u>	<u>4,603</u>
	<b><u>128,229</u></b>	<b><u>147,297</u></b>

Trade debtors and bills receivable are due between 30 to 120 days from the date of billing.

The ageing analysis of trade debtors and bills receivable that are neither individually nor collectively considered to be impaired are as follows:

	2014 \$'000	2013 \$'000
Neither past due nor impaired	<u>108,713</u>	<u>129,493</u>
Less than 61 days past due	12,955	13,233
61 to 90 days past due	447	1,239
More than 90 days past due	<u>6,114</u>	<u>3,332</u>
	<b><u>19,516</u></b>	<b><u>17,804</u></b>
	<b><u>128,229</u></b>	<b><u>147,297</u></b>

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

#### 10. TRADE AND OTHER PAYABLES

	2014 \$'000	2013 \$'000
Trade creditors	94,227	82,372
Bills payable	<u>1,915</u>	<u>3,523</u>
	<b>96,142</b>	85,895
Accrued charges and other creditors	76,017	63,085
Amounts due to related companies	3,938	1,483
Amounts due to joint ventures	14	148
Amount due to an associate	220	199
Derivative financial instruments held as cash flow hedging instruments	<u>79</u>	-
	<b><u>176,410</u></b>	<b><u>150,810</u></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, joint ventures and an associate are unsecured, interest-free and repayable on demand.

Included in trade and other payables are trade creditors and bills payable with the following ageing analysis as of the end of the reporting period:

	2014 \$'000	2013 \$'000
Current	50,937	46,610
Less than 61 days past due	33,610	29,621
61 to 90 days past due	4,290	6,183
More than 90 days past due	<u>7,305</u>	<u>3,481</u>
	<b><u>45,205</u></b>	<b><u>39,285</u></b>
	<b><u>96,142</u></b>	<b><u>85,895</u></b>

The Group's general payment terms are 30 to 90 days from the invoice date. Therefore, the balances above which are classified as current are mostly within 90 days from the invoice date.

## **DIVIDENDS**

The Board resolved to recommend the payment of a final dividend of HK3 cents (2013: HK5 cents) per ordinary share in respect of the year ended 31 March 2014 at the forthcoming annual general meeting of the Company to be held on 17 September 2014. The aggregate final dividend amounting to HK\$6,202,000 (2013: HK\$10,337,000), if approved by the shareholders, is expected to be paid on or around 6 October 2014.

## **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 11 September 2014 to 17 September 2014 (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 Wednesday, 10 September 2014.

The register of members of the Company will also be closed from 23 September 2014 to 25 September 2014 (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 6 October 2014 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, 22 September 2014.

## **BUSINESS REVIEW AND PROSPECTS**

Turnover of the Group for the current year of 2013/14 decreased to HK\$1,074,132,000 (2012/13: HK\$1,333,068,000) and the overall net profit was HK\$11,199,000 (2012/13: HK\$55,746,000).

The overall net profit for the Group dropped by 80% to HK\$11,199,000 (2012/13: HK\$55,746,000) while the result of our garment business recorded an operating loss of HK\$8,499,000 (2012/13: a gain of HK\$39,273,000). The loss of our core business was offset by the profits earned from our investments in the joint ventures in Wuxi.

Our garment manufacturing plants in Guigang (Guangxi) and Panyu (Guangzhou) China had incurred huge losses. The unsatisfactory results were mainly attributed to the escalating costs of manufacturing and a further provision of redundancy cost during the year. In order to reduce losses in the coming year, the management will continue to cut expenses, maximize resources, reduce waste and further layoff of workers. It is hoped that with all these measures, the results for the coming year would be drastically improved.

In Bangladesh, our factory - Lavender Garment Limited had recorded minimal gain for the year under review. The management expects breakeven results for the year to come due to the increase of manufacturing costs from wage hike and compliance with much stricter safety requirements. Our joint venture garment factory in Myanmar manufacturing mainly casual and dress shirts will start production from mid August 2014. We expect a start-up loss for this factory due to the short financial period to be taken into account. Our investments in the joint ventures in Wuxi had a profitable year but the management expects the results to be only breakeven for next year due to the drop in cotton prices and down turn in demand for high end yarn.

## **OUTLOOK**

For the coming year, the management expects our core garment business to improve due to slight recovery in the U.S. and EU markets plus the huge reduction in manufacturing costs in China after the substantial layoff of workers in the year under review. Despite the above, the management believes that our garment business will continue to be difficult in the long run.

## **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 all garment businesses including manufacturing, trading and sourcing. We have factories in China (Guigang and Panyu), Bangladesh and Myanmar. Besides Hong Kong and places where we have factories, we also have offices in many parts of China (Dongguan, Hangzhou, Wuxi and Shanghai). These offices not only provide supports to our own factories, but also monitor and liaise with our subcontractors and business partners in the areas.

Our garment manufacturing operation in China remains difficult. We now have two factories in Guigang (Guangxi, China) which produce pants, shorts and a small amount of knitted polo shirts. In Panyu we are still keeping a unit for most of our knitted polo shirts business. All the adverse factors such as lack of sewing workers, uneven spread of orders, increase of manufacturing costs and government taxes etc. continue to affect our productions and profit margins. Through tight control of expenses and further layoffs, the management hopes that the results for the coming year will drastically improve.

The results of our factory in Bangladesh - Lavender Garment Limited had recorded minimal gain for the year under review. The lesser than expected profits was caused by extra freight costs from delayed shipments after the turmoil happened last year and the increase of minimum wages by 77% in December 2013. With the collapse of a factory building in April 2013, all factories are required to comply with the strict building, electrical and fire safety codes. This will add extra labour and financial costs to the company, and coupled with the increase of our manufacturing costs due to the minimum wage hike, the management expects a breakeven result for the year to come.

To combat the ever increasing production costs in China and Bangladesh, we have set up a joint venture factory in Myanmar which will begin production from mid August 2014. This factory is catered for the production of casual and dress shirts. Garment industry in Myanmar, in general, is thriving due to duty free to EU, elimination of sanction from the U.S. and the unrests in neighboring countries such as Bangladesh and Vietnam. As a result, the manufacturing costs have risen 10% and a shortage of labour is inevitable. The management expects a loss for the coming year due to the short accounting period.

## **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 Group benefited from lower cost cotton bought in previous years and recorded remarkable profits for the first half of the year under review. In the second half of the year the decrease in cotton prices and reduce in demand of high end yarns caused a substantial decrease in our profitability. The management will closely monitor the subsequent effects and make strategic changes accordingly. The Group expects a breakeven result for the year to come.

## **LIQUIDITY AND FINANCIAL POSITION**

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

As at 31 March 2014, the cash and bank balances of the Group were approximately HK\$275,070,000 (2013: HK\$270,015,000). As at 31 March 2014 and 2013, the Group did not have any short term borrowings and long term borrowings.

The Group adopts a prudent policy to hedge the fluctuation of foreign exchange rates. As most of the Group's sales, purchases, cash and bank balances and bank borrowings are denominated in Hong Kong dollars, United States dollars, Euros, Pound Sterling or Renminbi, the Group may enter into forward foreign exchange contracts to hedge its receivables and payables denominated in the above foreign currencies against the exchange rate fluctuation when the exposure is significant. As at 31 March 2014, the Group has foreign exchange contracts hedging forecast transactions with a net fair value of HK\$79,000, recognised as derivative financial liabilities (2013: HK\$52,000, recognised as derivative financial assets).

## **PLEDGE OF ASSETS**

As at 31 March 2014, none of the assets of the Group was pledged.

## **EMPLOYMENT AND REMUNERATION POLICIES**

As at 31 March 2014, the Group, including its subsidiaries but excluding its associates and joint ventures, employed approximately 4,400 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.

## **SHARE OPTION SCHEME**

On 23 September 2004, the Company adopted a share option scheme (the "Share Option Scheme") which will remain in force until 22 September 2014. Pursuant to the terms of the Share Option Scheme, the Company may grant options to directors and employees of the Group and other eligible participants to subscribe for shares in the Company, provided that the total number of shares in the Company which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company does not exceed 10% of the ordinary shares of the Company in issue at the date of adoption of the Share Option Scheme, which was 14,024,579 shares. On 19 September 2006, it was approved in the annual general meeting that the maximum number of options to be granted under the Share Option Scheme was increased to 21,036,868 shares, representing 10% of the total number of ordinary shares in issue on that day.

No options were granted under the Share Option Scheme during the year.

## **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 2014.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has complied throughout the year ended 31 March 2014 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 2014.

## **ANNUAL GENERAL MEETING**

The annual general meeting of the shareholders of the Company will be held on Wednesday, 17 September 2014 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](http://www.hkexnews.hk) and the website of the Company at [www.ygm.com.hk](http://www.ygm.com.hk) under "Results Announcement". The annual report for the year ended 31 March 2014 will be dispatched to the shareholders and published on the above websites in due course.

By Order of the Board  
**Yangtzekiang Garment Limited**  
**Chan Sui Kau**  
*Chairman*

Hong Kong, 17 June 2014

*As at the date of this announcement, the Board consists of eight executive directors, namely Dr. Chan Sui Kau, Mr. Chan Wing Fui, Peter, Mr. Chan Wing Kee, Mr. Chan Wing To, Madam Chan Suk Man, Mr. Chan Wing Sun, Samuel, Madam Chan Suk Ling, Shirley and Mr. So Ying Woon, Alan and four independent non-executive directors, namely Mr. Leung Hok Lim, Mr. Lin Keping, Mr. Sze Cho Cheung, Michael and Mr. Choi Ting Ki.*