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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 2015

The Board of Directors of Yangtzekiang Garment Limited (“the Company”) hereby 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 2015 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 2015

(Expressed in Hong Kong dollars)

	<i>Note</i>	2015 \$'000	2014 \$'000
Revenue	3&4	1,133,864	1,074,132
Cost of sales		<u>(968,503)</u>	<u>(916,852)</u>
Gross profit		165,361	157,280
Other revenue		4,807	4,837
Other net income		2,238	2,516
Selling and distribution expenses		(71,164)	(77,793)
Administrative expenses		(68,611)	(70,191)
Other operating expenses		<u>(24,965)</u>	<u>(25,148)</u>
Profit/(loss) from operations		7,666	(8,499)
Finance costs	5(a)	(3,671)	(3,860)
Share of losses of associates		(355)	(220)
Share of (losses)/profits of joint ventures		(20,356)	18,515
Impairment losses on fixed assets		-	(6,935)
Net valuation gains on investment properties		<u>6,964</u>	<u>19,257</u>
(Loss)/profit before taxation	5	(9,752)	18,258
Income tax	6	<u>(13,856)</u>	<u>(7,059)</u>
(Loss)/profit for the year		<u>(23,608)</u>	<u>11,199</u>
Attributable to:			
Equity shareholders of the Company		(23,241)	11,920
Non-controlling interests		<u>(367)</u>	<u>(721)</u>
(Loss)/profit for the year		<u>(23,608)</u>	<u>11,199</u>
(Loss)/earnings per share			
Basic and diluted	8	<u>(\$0.11)</u>	<u>\$0.06</u>

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2015

(Expressed in Hong Kong dollars)

	2015 \$'000	2014 \$'000
(Loss)/profit for the year	<u>(23,608)</u>	<u>11,199</u>
Other comprehensive income for the year (after tax and reclassification adjustments)		
<i>Item that will not be reclassified to profit or loss:</i>		
Surplus on revaluation of land and buildings transferred to to investment property	<u>834</u>	<u>-</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of:		
- financial statements of subsidiaries outside Hong Kong	(62)	3,965
- share of associates' and joint ventures' net assets	<u>686</u>	<u>10,221</u>
	624	14,186
Available-for-sale securities:		
net movement in the investment revaluation reserve	114	440
Cash flow hedges:		
net movement in the hedging reserve	<u>493</u>	<u>(123)</u>
	<u>1,231</u>	<u>14,503</u>
Other comprehensive income for the year	<u>2,065</u>	<u>14,503</u>
Total comprehensive income for the year	<u>(21,543)</u>	<u>25,702</u>
Attributable to:		
Equity shareholders of the Company	(21,153)	26,333
Non-controlling interests	<u>(390)</u>	<u>(631)</u>
Total comprehensive income for the year	<u>(21,543)</u>	<u>25,702</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2015

(Expressed in Hong Kong dollars)

	Note	2015 \$'000	2014 \$'000
Non-current assets			
Fixed assets			
- Investment properties		215,196	233,776
- Property, plant and equipment		93,553	69,874
- Interest in leasehold land held for own use under operating leases		<u>1,638</u>	<u>1,696</u>
		310,387	305,346
Intangible assets		3,117	3,117
Goodwill		-	-
Interests in associates		-	1,912
Interests in joint ventures		600,683	638,810
Other financial assets		7,052	7,381
Deferred tax assets		<u>1,501</u>	<u>2,403</u>
		<u>922,740</u>	<u>958,969</u>
Current assets			
Inventories		108,526	115,254
Trade and other receivables	9	136,522	158,752
Current tax recoverable		3,799	-
Cash and cash equivalents		<u>272,465</u>	<u>275,070</u>
		<u>521,312</u>	<u>549,076</u>
Current liabilities			
Trade and other payables	10	132,420	176,410
Current tax payable		<u>13,799</u>	<u>9,445</u>
		<u>146,219</u>	<u>185,855</u>
Net current assets		<u>375,093</u>	<u>363,221</u>
Total assets less current liabilities		<u>1,297,833</u>	<u>1,322,190</u>
Non-current liabilities			
Provision for long service payments		19,508	21,302
Deferred tax liabilities		<u>18,484</u>	<u>13,596</u>
		<u>37,992</u>	<u>34,898</u>
NET ASSETS		<u>1,259,841</u>	<u>1,287,292</u>
CAPITAL AND RESERVES			
Share capital		208,418	208,418
Reserves		<u>1,044,243</u>	<u>1,071,598</u>
Total equity attributable to equity shareholders of the Company		1,252,661	1,280,016
Non-controlling interests		<u>7,180</u>	<u>7,276</u>
TOTAL EQUITY		<u>1,259,841</u>	<u>1,287,292</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 2015 but are extracted from those financial statements.

The consolidated financial statements of the Group for the year ended 31 March 2015 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 Hong Kong Companies Ordinance. The 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 2015 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 2015 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 amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*
- Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting*

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 32, *Offsetting financial assets and financial liabilities*

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on these financial statements as they are consistent with the policies already adopted by the Group.

Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or cash generating unit whose recoverable amount is based on fair value less costs of disposal.

Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting*

The amendments to HKAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments do not have an impact on these financial statements as the Group has not novated any of its derivatives.

In addition, the requirements of Part 9, "Accounts and Audit", of the Hong Kong Companies Ordinance (Cap. 622) came into operation at the start of the Company's current financial year. The adoption of the requirements has primarily impacted the presentation and disclosure of information in the consolidated financial statements. These changes mainly include the presentation of the company's statement of financial position as a note disclosure instead of a primary statement, updating any references to the Hong Kong Companies Ordinance to refer to the current Hong Kong Companies Ordinance and replacing certain terminology no longer used in the Hong Kong Companies Ordinance with terminology used in HKFRS.

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. The amount of each significant category of revenue recognised during the year is as follows:

	2015	2014
	\$'000	\$'000
Manufacture and sale of garments	1,030,187	996,590
Manufacture and sale of textiles	72,920	46,968
Processing service income	20,924	22,568
Property rental income	9,833	8,006
	<u>1,133,864</u>	<u>1,074,132</u>

The Group's customer base is diversified and includes only one customer (2014: one) with whom transactions have exceeded 10% of the Group's revenue. For the year ended 31 March 2015, 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 \$139,075,000 (2014: \$165,199,000) 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.

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 2015 and 2014 is set out below:

	Manufacture and sale of garments and textiles		Interests in joint ventures		Property leasing		Total	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Revenue from external customers	1,124,031	1,066,126	-	-	9,833	8,006	1,133,864	1,074,132
Inter-segment revenue	-	-	-	-	1,996	2,346	1,996	2,346
Reportable segment revenue	1,124,031	1,066,126	-	-	11,829	10,352	1,135,860	1,076,478
Reportable segment profit / (loss) (adjusted EBITDA)	8,035	(3,801)	(20,356)	18,515	10,079	8,969	(2,242)	23,683
Interest income	2,440	2,275	-	-	-	-	2,440	2,275
Finance costs	(3,671)	(3,860)	-	-	-	-	(3,671)	(3,860)
Depreciation and amortisation	(13,469)	(14,611)	-	-	-	-	(13,469)	(14,611)
Impairment losses on fixed assets	-	(6,935)	-	-	-	-	-	(6,935)
Reportable segment assets	611,799	619,468	600,683	638,810	288,134	326,783	1,500,616	1,585,061
Additions to non-current segment assets during the year	11,166	2,915	-	-	-	-	11,166	2,915
Reportable segment liabilities	149,805	195,735	-	-	-	-	149,805	195,735

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

	2015	2014
	\$'000	\$'000
<i>Revenue</i>		
Reportable segment revenue	1,135,860	1,076,478
Elimination of inter-segment revenue	(1,996)	(2,346)
Consolidated revenue	<u>1,133,864</u>	<u>1,074,132</u>
	2015	2014
	\$'000	\$'000
<i>(Loss)/profit</i>		
Reportable segment (loss)/profit derived from Group's external customers (adjusted EBITDA)	(2,242)	23,683
Finance costs	(3,671)	(3,860)
Share of losses of associates	(355)	(220)
Impairment losses on fixed assets	-	(6,935)
Net valuation gains on investment properties	6,964	19,257
Other revenue and net income	7,045	7,353
Depreciation and amortisation	(13,469)	(14,611)
Unallocated head office and corporate expenses	(4,024)	(6,409)
Consolidated (loss)/profit before taxation	<u>(9,752)</u>	<u>18,258</u>
	2015	2014
	\$'000	\$'000
<i>Assets</i>		
Reportable segment assets	1,500,616	1,585,061
Elimination of inter-segment assets	(72,938)	(93,007)
	<u>1,427,678</u>	<u>1,492,054</u>
Intangible assets	3,117	3,117
Interests in associates	-	1,912
Other financial assets	7,052	7,381
Current tax recoverable	3,799	-
Deferred tax assets	1,501	2,403
Unallocated head office and corporate assets	905	1,178
Consolidated total assets	<u>1,444,052</u>	<u>1,508,045</u>
	2015	2014
	\$'000	\$'000
<i>Liabilities</i>		
Reportable segment liabilities	149,805	195,735
Current tax payable	13,799	9,445
Deferred tax liabilities	18,484	13,596
Unallocated head office and corporate liabilities	2,123	1,977
Consolidated total liabilities	<u>184,211</u>	<u>220,753</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 ("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.

	Revenue from external customers		Specified non-current assets	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Hong Kong (place of domicile)	78,255	76,601	217,261	211,689
Europe				
- United Kingdom	168,697	164,058	-	-
- Italy	131,927	134,150	-	-
- Spain	122,117	84,766	-	-
- Other European countries	158,272	132,005	-	-
Mainland China	97,920	110,388	683,321	730,750
North America				
- United States	169,745	162,334	-	-
- Canada	10,689	11,586	-	-
Others	196,242	198,244	13,605	6,746
	<u>1,055,609</u>	<u>997,531</u>	<u>696,926</u>	<u>737,496</u>
	<u>1,133,864</u>	<u>1,074,132</u>	<u>914,187</u>	<u>949,185</u>

5. **(LOSS)/PROFIT BEFORE TAXATION**

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

	2015 \$'000	2014 \$'000
(a) Finance costs:		
Interest on bank loans (including bank charges)	3,659	3,865
Cash flow hedges: reclassified from equity	12	(5)
	<u>3,671</u>	<u>3,860</u>
(b) Other items:		
Cost of inventories	968,503	916,852
Amortisation of pre-paid interests in leasehold land	60	61
Depreciation	13,409	14,550
Net loss on cash flow hedging instruments reclassified from equity	141	52
Impairment loss on trade receivables	129	-
Write off of other receivables	1,000	-
Impairment loss on amount due from an associate	-	242
Impairment loss on interests in an associate	1,220	-
	<u>1,220</u>	<u>-</u>

6. INCOME TAX

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

	2015 \$'000	2014 \$'000
Current tax		
Provision for the year	3,883	7,489
Under/(over)-provision in respect of prior years	<u>4,291</u>	<u>(5,107)</u>
	8,174	2,382
Deferred tax		
Origination and reversal of temporary differences	<u>5,682</u>	<u>4,677</u>
	<u>13,856</u>	<u>7,059</u>

The provision for Hong Kong Profits Tax for 2015 is calculated at 16.5% (2014: 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

	2015 \$'000	2014 \$'000
Final dividend proposed after the end of the reporting period of \$0.03 (2014: \$0.03) per ordinary share	<u>6,202</u>	<u>6,202</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

	2015 \$'000	2014 \$'000
Final dividend in respect of the previous financial year, approved and paid during the year of \$0.03 (2014: \$0.05) per ordinary share	<u>6,202</u>	<u>10,337</u>

8. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of \$23,241,000 (2014: profit of \$11,920,000) and 206,748,000 (2014: 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 2015 and 2014.

9. TRADE AND OTHER RECEIVABLES

	2015 \$'000	2014 \$'000
Trade debtors	86,717	73,455
Bills receivable	28,901	58,519
Less: Allowance for doubtful debts	<u>(3,874)</u>	<u>(3,745)</u>
	111,744	128,229
Deposits, prepayments and other debtors	20,976	27,721
Amounts due from related companies	3,149	845
Amounts due from joint ventures	105	1,940
Amount due from an associate	17	17
Derivative financial instruments held as cash flow hedging instruments	<u>531</u>	<u>-</u>
	<u>136,522</u>	<u>158,752</u>

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

The amounts due from related companies, 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:

	2015 \$'000	2014 \$'000
Within 1 month	42,819	65,708
1 to 2 months	33,219	19,348
2 to 3 months	27,597	28,597
3 to 4 months	1,942	6,436
Over 4 months	<u>6,167</u>	<u>8,140</u>
	<u>111,744</u>	<u>128,229</u>

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

10. TRADE AND OTHER PAYABLES

	2015 \$'000	2014 \$'000
Trade creditors	74,353	94,227
Bills payable	<u>1,089</u>	<u>1,915</u>
	75,442	96,142
Accrued charges and other creditors	56,367	76,017
Amounts due to related companies	378	3,938
Amounts due to joint ventures	13	14
Amount due to an associate	220	220
Derivative financial instruments held as cash flow hedging instruments	<u>-</u>	<u>79</u>
	<u>132,420</u>	<u>176,410</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, 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, based on the invoice date, as of the end of the reporting period:

	2015 \$'000	2014 \$'000
Within 1 month	32,720	47,328
1 to 2 months	16,126	23,912
2 to 3 months	18,902	17,198
Over 3 months	<u>7,694</u>	<u>7,704</u>
	<u>75,442</u>	<u>96,142</u>

DIVIDENDS

The Board resolved to recommend the payment of a final dividend of HK3 cents (2014: HK3 cents) per ordinary share in respect of the year ended 31 March 2015 at the forthcoming annual general meeting of the Company to be held on 16 September 2015. The aggregate final dividend amounting to HK\$6,202,000 (2014: HK\$6,202,000), if approved by the shareholders, is expected to be paid on or around 5 October 2015.

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 10 September 2015 to 16 September 2015 (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, 9 September 2015.

The register of members of the Company will also be closed from 22 September 2015 to 24 September 2015 (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 5 October 2015 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, 21 September 2015.

BUSINESS REVIEW AND PROSPECTS

Revenue of the Group for the current year of 2014/15 increased to HK\$1,133,864,000 (2013/14: HK\$1,074,132,000) and there was a loss of HK\$23,608,000 (2013/14: a profit of HK\$11,199,000).

Our core garment business for the year under review recorded a profit of HK\$7,666,000 as compared to a loss of HK\$8,499,000 in the previous year. The overall negative result was largely due to the loss incurred from our investments in the joint ventures in Wuxi of which the group holds 49% as well as the significantly reduction in our properties' revaluation gain. The loss of our Wuxi investments amounted to HK\$20,356,000 but in the year before there was a profit of HK\$18,515,000.

The escalating manufacturing costs in China, the stagnant selling prices, the lack of sewing workers and uneven distribution of sales orders make garments manufacturing so much more difficult. In fiscal year 2014/15, the management closed down one of the two garment plants in Panyu and kept the manufacturing facilities of the other one to its minimum. Our factory in Guigang, Guangxi has become one of our main production plants. Through restructuring, maximizing resources and cutting costs over the last few years, our manufacturing operation in China had gradually enhanced its productivity. Although it was still at a loss position in the current year, it was an encouraging improvement comparing to a very substantial loss a year before.

In Bangladesh, our factory - Lavender Garment Limited has an improved results in the current year. The stability of sewing workers and sales orders plus the hard efforts of the management contributed to the good results. The management is exploring the possibility of adding pants and polo shirts to the factory which currently is manufacturing casual and dress shirts.

Another garment factory - Dagon Talent Garment Limited also manufacturing casual and dress shirts in Myanmar has started production since mid August 2014. As many of the sewing workers there needed to be trained, efficiency for the initial period was not high and our production capacity was thus affected. It recorded a loss in the first financial year.

Our investments in the joint ventures in Wuxi recorded a loss of HK\$20,356,000 in the fiscal year 2014/15 while a year before it had a profit of HK\$18,515,000. The weakened Euro affected our yarn export to Europe. The free-of-duty import of yarns from South East Asia and South Asia to China also placed us in a less competitive position as we were required to pay duty on the cotton we imported for our yarn manufacturing.

OUTLOOK

Despite the weak Euro that continues to hamper our garment sales and affected our profits, the restructuring of our factories in China further helps to reduce our loss. The management expects the results of our core garment operation to be satisfactory. The management of our Wuxi's investment was of the opinion that there would still be a loss in the year to come but at a much lesser amount. With reduction in losses from Wuxi, we expect the overall results for the coming financial year to be improved.

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 support 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. The closing down of Whampoa Garment Manufacturing (Guangzhou) Co., Ltd., one of our two factories in Panyu (Guangzhou) in 2014 and keeping Exquisite Knitters (Guangzhou) Limited, the remaining factory's manufacturing facilities to its minimum, we were able to cut our manufacturing costs considerably. Although there was still at a loss position in the current year, there had been a big improvement comparing with the previous year. Guigang (Guangxi) is now where our main production activities are. We have two factories in Guigang which produce pants, shorts and knitted polo shirts. Lack of sewing workers, uneven spread of sales orders, minimum wage hike, increase of manufacturing costs and government taxes etc. continue to adversely affect our productions and dwindle our profit margins. The management expects the coming year to be just as difficult. The stringent cost cutting measures adopted by the management in the past few years have shown positive results, and it is hoped that the continuation of these measures with further enhancements along the way, our China operation would once again be back on the positive track.

Lavender Garment Limited - our factory in Bangladesh had recorded a better than expected result in the current year. This was mainly due to a stable work force and a steady supply of sales orders throughout the year. With the increase demand from buyers for factory compliance, the management is compelled to invest more substantially in the factory's setup and thus increases our manufacturing costs. Also the uneven spread of orders is another problem that confronts the factory. As a solution the management is considering to introduce more items such as pants and polo shirts to their product line. Despite these adverse factors, the management expects to see positive results for the coming year.

Dagon Talent Garment Limited - our factory in Myanmar started its full operation in August 2014. This factory mainly produces casual and dress shirts for the European market. At the initial startup period, due to the inexperience of our sewing workers, our efficiency was low and likewise with our production capacity. This affected our profit margin and recorded a loss in the first financial year. Comparing to Vietnam and Cambodia, manufacturing costs in Myanmar are relatively cheaper and, therefore, many customers like to place their orders there. Following more orders and increasing capacity, the management expects the result for Year 2015/16 would improve with a minor loss due to a 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 loss of HK\$20,356,000 in the current year (2013/14: a profit of HK\$18,515,000). There were two main reasons for its negative results. The significantly weakened Euro was the first reason. It affected substantially our prices and volume of high end yarns exported to Europe. Secondly yarn manufacturers from countries in South East Asia as well as South Asia exported huge quantities of yarns to China at zero duty, thus affecting yarn prices in China. Yarn producers in China, on the other hand, are required to pay import duty for cotton, thus placing them at severe cost disadvantage vis-à-vis these foreign producers. Under the current market conditions, Wuxi group expects to continue making a loss in the next financial year but at a much reduced rate. The management will strive to develop new markets, customers and reduce costs so as to return to profitability as soon as possible.

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 2015, the cash and bank balances of the Group were approximately HK\$272,465,000 (2014: HK\$275,070,000). As at 31 March 2015 and 2014, 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 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 2015, the Group has foreign exchange contracts hedging forecast transactions with a net fair value of HK\$531,000, recognised as derivative financial assets (2014: HK\$79,000, recognised as derivative financial liabilities).

PLEDGE OF ASSETS

As at 31 March 2015, none of the assets of the Group was pledged.

EMPLOYMENT AND REMUNERATION POLICIES

As at 31 March 2015, the Group, including its subsidiaries but excluding its associates and joint ventures, employed approximately 3,800 employees. Remuneration packages are determined by reference to employees' performance and the prevailing salary levels in the market. In addition, the Group provides year end double pay, provident fund scheme, medical insurance and training to staff.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 March 2015.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied throughout the year ended 31 March 2015 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 2015.

ANNUAL GENERAL MEETING

The annual general meeting of the shareholders of the Company will be held on Wednesday, 16 September 2015 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 2015 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, 23 June 2015

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.