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 2016

The Board of Directors of Yangtzekiang Garment Limited ("**the Company**") hereby announces the consolidated results of the Company and its subsidiaries (together referred to as "**the Group**") and the Group's interests in an associate and joint ventures for the year ended 31 March 2016 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 2016
(Expressed in Hong Kong dollars)

	Note	**2016** *$'000*	2015 *$'000*
Revenue	*3&4*	**938,434**	1,133,864
Cost of sales		**(774,124)**	(968,503)
Gross profit		**164,310**	165,361
Other income		**9,029**	7,045
Selling and distribution expenses		**(64,116)**	(71,164)
Administrative expenses		**(66,363)**	(68,611)
Other operating expenses		**(19,555)**	(24,965)
Profit from operations		**23,305**	7,666
Finance costs	*5(a)*	**(3,002)**	(3,671)
Share of losses of an associate		**-**	(355)
Share of losses of joint ventures		**(28,391)**	(20,356)
Impairment loss on plant and equipment		**(4,656)**	-
Net valuation gains on investment properties	*9*	**20,759**	6,964
Profit/(loss) before taxation	*5*	**8,015**	(9,752)
Income tax	*6*	**(3,658)**	(13,856)
Profit/(loss) for the year		**4,357**	(23,608)
Attributable to:			
Equity shareholders of the Company		**4,413**	(23,241)
Non-controlling interests		**(56)**	(367)
Profit/(loss) for the year		**4,357**	(23,608)
Earnings/(loss) per share			
Basic and diluted	*8*	**$0.02**	($0.11)

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 2016
(Expressed in Hong Kong dollars)

	2016	2015
	$'000	*$'000*
Profit/(loss) for the year	**4,357**	(23,608)
Other comprehensive income for the year (after tax and reclassification adjustments)		
Item that will not be reclassified to profit or loss:		
Surplus on revaluation of land and buildings transferred to investment property	**-**	834
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of:		
- financial statements of subsidiaries outside Hong Kong	**(6,891)**	(62)
- share of an associate's and joint ventures' net assets	**(31,197)**	686
	(38,088)	624
Available-for-sale securities:		
net movement in the investment revaluation reserve	**(897)**	114
Cash flow hedges:		
net movement in the hedging reserve	**(969)**	493
	(39,954)	1,231
Other comprehensive income for the year	**(39,954)**	2,065
Total comprehensive income for the year	**(35,597)**	(21,543)
Attributable to:		
Equity shareholders of the Company	**(35,472)**	(21,153)
Non-controlling interests	**(125)**	(390)
Total comprehensive income for the year	**(35,597)**	(21,543)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 March 2016
(Expressed in Hong Kong dollars)

	Note	2016 $'000	2015 $'000
Non-current assets			
Investment properties	9	**233,506**	215,196
Other property, plant and equipment		**82,368**	93,553
Interest in leasehold land held for own use under operating leases		**1,496**	1,638
		317,370	310,387
Intangible assets		**3,270**	3,117
Interest in an associate		**-**	-
Interests in joint ventures		**541,095**	600,683
Other financial assets		**4,250**	7,052
Deferred tax assets		**1,687**	1,501
		867,672	922,740
Current assets			
Inventories		**79,482**	108,526
Trade and other receivables	10	**121,667**	136,522
Current tax recoverable		**804**	3,799
Cash and cash equivalents		**311,644**	272,465
		513,597	521,312
Current liabilities			
Trade and other payables	11	**109,977**	132,420
Current tax payable		**14,668**	13,799
		124,645	146,219
Net current assets		**388,952**	375,093
Total assets less current liabilities		**1,256,624**	1,297,833
Non-current liabilities			
Provision for long service payments		**21,673**	19,508
Deferred tax liabilities		**17,292**	18,484
		38,965	37,992
NET ASSETS		**1,217,659**	1,259,841
CAPITAL AND RESERVES			
Share capital		**208,418**	208,418
Reserves		**1,002,557**	1,044,243
Total equity attributable to equity shareholders of the Company		**1,210,975**	1,252,661
Non-controlling interests		**6,684**	7,180
TOTAL EQUITY		**1,217,659**	1,259,841

NOTES:
(Expressed in Hong Kong dollars)

1. BASIS OF PREPARATION

The financial information relating to the years ended 31 March 2016 and 2015 included in this preliminary announcement of annual results does not constitute the Company's statutory annual consolidated financial statements for those years but, in respect of the year ended 31 March 2015, is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The financial statements for the year ended 31 March 2016 have yet to be reported on by the Company's auditor and will be delivered to the Registrar of Companies in due course. The Company has delivered the financial statements for the year ended 31 March 2015 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 2015. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

The consolidated financial statements of the Group for the year ended 31 March 2016 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.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- *Annual Improvements to HKFRSs 2010-2012 Cycle*
- *Annual Improvements to HKFRSs 2011-2013 Cycle*

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 amended HKFRSs are discussed below:

Annual Improvements to HKFRSs 2010-2012 Cycle and 2011-2013 Cycle

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24, *Related party disclosures* has been amended to expand the definition of a “related party” to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group’s related party disclosures as the Group does not obtain key management personnel services from management entities.

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:

	2016	2015
	$'000	*$'000*
Manufacture and sale of garments	**866,463**	1,030,187
Manufacture and sale of textiles	**35,443**	72,920
Processing service income	**27,270**	20,924
Property rental income	**9,258**	9,833
	938,434	1,133,864

The Group's customer base is diversified and includes two customers (2015: one) with whom transactions have exceeded 10% of the Group's revenue. For the year ended 31 March 2016, revenue from sales of garments to these customers amounted to approximately $107,697,000 (2015: $105,886,000) and $100,029,000 (2015: $139,075,000).

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

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

The measure used for reporting segment profit/loss is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation", where "interest" is regarded as including investment income and finance cost and "depreciation and amortisation" is regarded as including impairment losses on non-current assets. To arrive at "adjusted EBITDA", the Group's earnings/losses are further adjusted for items not specifically attributed to individual segments, such as share of losses of an associate, 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/loss for this particular segment. Reportable segment assets represent the Group's share of net assets of the joint ventures. Revenue of joint ventures is not presented as reportable segment revenue because it is not reviewed by the Group's senior executive management for resource allocation purposes.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 March 2016 and 2015 is set out below:

	Manufacture and sale of garments and textiles		Interests in joint ventures		Property leasing		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Revenue from external customers	**929,176**	1,124,031	**-**	-	**9,258**	9,833	**938,434**	1,133,864
Inter-segment revenue	**-**	-	**-**	-	**1,742**	1,996	**1,742**	1,996
Reportable segment revenue	**929,176**	1,124,031	**-**	-	**11,000**	11,829	**940,176**	1,135,860
Reportable segment profit /(loss) (adjusted EBITDA)	**20,830**	11,381	**(28,391)**	(20,356)	**10,640**	10,883	**3,079**	1,908
Interest income	**1,301**	2,440	**-**	-	**-**	-	**1,301**	2,440
Finance costs	**(3,002)**	(3,671)	**-**	-	**-**	-	**(3,002)**	(3,671)
Depreciation and amortisation	**(10,118)**	(13,469)	**-**	-	**-**	-	**(10,118)**	(13,469)
Impairment loss on plant and equipment	**(4,656)**	-	**-**	-	**-**	-	**(4,656)**	-
Impairment loss on other receivables	**(3,647)**	-	**-**	-	**-**	-	**(3,647)**	-
Reportable segment assets	**595,786**	611,799	**541,095**	600,683	**313,992**	288,134	**1,450,873**	1,500,616
Additions to non-current segment assets during the year	**5,911**	11,166	**-**	-	**-**	-	**5,911**	11,166
Reportable segment liabilities	**127,300**	149,805	**-**	-	**-**	-	**127,300**	149,805

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

	2016	2015
	$'000	*$'000*
Revenue		
Reportable segment revenue	**940,176**	1,135,860
Elimination of inter-segment revenue	**(1,742)**	(1,996)
Consolidated revenue	**938,434**	1,133,864

	2016	2015
	$'000	*$'000*
Profit/(loss)		
Reportable segment profit derived from the Group's external customers (adjusted EBITDA)	**3,079**	1,908
Finance costs	**(3,002)**	(3,671)
Interest income	**1,301**	2,440
Depreciation and amortisation	**(10,118)**	(13,469)
Net valuation gains on investment properties	**20,759**	6,964
Share of losses of an associate	**-**	(355)
Unallocated head office and corporate expenses	**(4,004)**	(3,569)
Consolidated profit /(loss) before taxation	**8,015**	(9,752)

	2016	2015
	$'000	*$'000*
Assets		
Reportable segment assets	**1,450,873**	1,500,616
Elimination of inter-segment assets	**(80,485)**	(72,938)
	1,370,388	1,427,678
Intangible assets	**3,270**	3,117
Other financial assets	**4,250**	7,052
Current tax recoverable	**804**	3,799
Deferred tax assets	**1,687**	1,501
Unallocated head office and corporate assets	**870**	905
Consolidated total assets	**1,381,269**	1,444,052

	2016	2015
	$'000	*$'000*
Liabilities		
Reportable segment liabilities	**127,300**	149,805
Current tax payable	**14,668**	13,799
Deferred tax liabilities	**17,292**	18,484
Unallocated head office and corporate liabilities	**4,350**	2,123
Consolidated total liabilities	**163,610**	184,211

(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 an associate 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 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 an associate and joint ventures.

	Revenue from external customers		**Specified non-current assets**	
	2016	2015	**2016**	2015
	$'000	*$'000*	***$'000***	*$'000*
Hong Kong (place of domicile)	**61,342**	78,255	**234,641**	217,261
Europe				
- United Kingdom	**152,194**	168,697	**-**	-
- Italy	**130,994**	131,927	**-**	-
- Spain	**89,700**	122,117	**-**	-
- Other European countries	**138,671**	158,272	**-**	-
Mainland China	**83,013**	97,920	**612,353**	683,321
North America				
- United States	**152,106**	169,745	**-**	-
- Canada	**7,608**	10,689	**-**	-
Others	**122,806**	196,242	**14,741**	13,605
	877,092	1,055,609	**627,094**	696,926
	938,434	1,133,864	**861,735**	914,187

5. PROFIT /(LOSS) BEFORE TAXATION

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

	2016	2015
	$'000	*$'000*
(a) Finance costs:		
Interest on bank loans (including bank charges)	**2,970**	3,659
Cash flow hedges: reclassified from equity	**32**	12
	3,002	3,671
(b) Other items:		
Cost of inventories	**774,124**	968,503
Amortisation of pre-paid interests in leasehold land	**58**	60
Amortisation of intangible assets	**39**	-
Depreciation	**10,021**	13,409
Net (gain)/loss on cash flow hedging instruments reclassified from equity	**(282)**	141
Impairment losses on:		
- trade receivables	**122**	129
- other receivables	**3,647**	-
- interest in an associate	**-**	1,220
Write off of other receivables	**-**	1,000

6. INCOME TAX

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

	2016	2015
	$'000	*$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**1,919**	3,262
(Over)/under-provision in respect of prior years	**(62)**	52
	1,857	3,314
Current tax – Overseas		
Provision for the year	**3,189**	621
Under-provision in respect of prior years	**-**	4,239
	3,189	4,860
Deferred tax		
Origination and reversal of temporary differences	**(1,388)**	5,682
	3,658	13,856

The provision for Hong Kong Profits Tax for 2016 is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits for the year.

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

7. DIVIDENDS

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

	2016	2015
	$'000	*$'000*
Final dividend proposed after the end of the reporting period of $0.10 (2015: $0.03) per ordinary share	**20,675**	6,202

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

	2016	2015
	$'000	*$'000*
Final dividend in respect of the previous financial year, approved and paid during the year of $0.03 (2015: $0.03) per ordinary share	**6,202**	6,202

8. EARNINGS /(LOSS) PER SHARE

(a) Basic earnings /(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to ordinary equity shareholders of the Company of $4,413,000 (2015: loss of $23,241,000) and 206,748,000 (2015: 206,748,000) ordinary shares in issue during the year.

(b) Diluted earnings /(loss) per share

The diluted earnings/(loss) per share is the same as the basic earnings/(loss) per share as there were no dilutive potential ordinary shares in existence during the years ended 31 March 2016 and 2015.

9. INVESTMENT PROPERTIES

During the year ended 31 March 2016, the Group recognised net valuation gains of approximately $20,759,000 (2015: $6,964,000) on its investment properties which mainly resulted from the favourable valuation of the properties in Hong Kong.

10. TRADE AND OTHER RECEIVABLES

	2016	2015
	$'000	*$'000*
Trade debtors	**60,753**	86,717
Bills receivable	**38,453**	28,901
Less: allowance for doubtful debts	**(267)**	(3,874)
	98,939	111,744
Deposits, prepayments and other debtors	**20,392**	20,976
Amounts due from related companies	**2,319**	3,149
Amount due from an associate	**17**	17
Amounts due from joint ventures	**-**	105
Derivative financial instruments held as cash flow hedging instruments	**-**	531
	121,667	136,522

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 except for those trade related items under normal trade terms.

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

	2016	2015
	$'000	*$'000*
Within 1 month	**38,242**	42,819
Over 1 month but within 2 months	**17,365**	33,219
Over 2 months but within 3 months	**34,254**	27,597
Over 3 months but within 4 months	**4,550**	1,942
Over 4 months	**4,528**	6,167
	98,939	111,744

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

11. TRADE AND OTHER PAYABLES

	2016	2015
	$'000	*$'000*
Trade creditors	**59,399**	74,353
Bills payable	**1,846**	1,089
	61,245	75,442
Accrued charges and other creditors	**47,483**	56,367
Amounts due to related companies	**356**	378
Amounts due to joint ventures	**13**	13
Amount due to an associate	**209**	220
Derivative financial instruments held as cash flow hedging instruments	**671**	-
	109,977	132,420

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 except for those trade related items under normal trade terms.

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:

	2016	2015
	$'000	*$'000*
Within 1 month	**34,387**	32,720
Over 1 month but within 2 months	**14,259**	16,126
Over 2 months but within 3 months	**10,431**	18,902
Over 3 months	**2,168**	7,694
	61,245	75,442

DIVIDENDS
The Board resolved to recommend the payment of a final dividend of HK10 cents (2015: HK3 cents) per ordinary share in respect of the year ended 31 March 2016 at the forthcoming annual general meeting of the Company to be held on 14 September 2016. The aggregate final dividend amounting to HK$20,675,000 (2015: HK$6,202,000), if approved by the shareholders, is expected to be paid on or around 3 October 2016.

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 8 September 2016 to 14 September 2016 (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, 7 September 2016.

The register of members of the Company will also be closed from 21 September 2016 to 23 September 2016 (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 3 October 2016 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 Tuesday, 20 September 2016.

BUSINESS REVIEW AND PROSPECTS
Revenue of the Group for the current year of 2015/16 was HK$938,434,000 (2014/15: HK$1,133,864,000) and the overall profit was HK$4,357,000 (2014/15: a loss of HK$23,608,000).

Profit from operations for the year under review was HK$23,305,000 as compared to HK$7,666,000 in the previous year. Besides the reduction of our cost of sales, operation expenses as well as selling and distribution expenses that attributed to the positive results, the favourable valuation of our properties also helped to increase our profits of the year. However the continuous loss of our investments in the joint ventures in Wuxi of which the group holds 49% had diminished the group's profit. The loss of our Wuxi investments for 2015/16 amounted to HK$28,391,000 (2014/15: HK$20,356,000).

Through the management's consistent efforts and dedications over the years in optimizing our operation, minimizing the manufacturing costs and restructuring the setup, our factories in China (Panyu and Guigang) had been able to, after several years of unsatisfactory performance, recorded positive results in the year under review.

The profit recorded by our factory in Bangladesh in this financial year was lower than expected. This was due to the increase of our manufacturing and operating costs, and the decrease of our garment prices.

Our factory in Myanmar, opened in August 2014, was in its second year of operation in the year under review. Although it still incurred a loss, its results had improved mainly due to the higher efficiency of the sewing workers and higher garment prices.

As mentioned above, our investments in Wuxi had incurred a higher than expected loss in the year under review. The reasons for the poor results were due to inferior quality of cotton supplied from its primary source in Xinjiang, lower productivity due to outdated machinery, over supply of viscose related products and strong competition.

OUTLOOK
The weak Euro and GBP had adversely affected our profit margin in the current year. This would be even more intense in the coming year with Britain opted out of the European Union. Disruption to our garment sales as well as narrowing down our profit margins would be inevitable. Despite the positive results of our factories in China, the sign of improvement of our Myanmar factory as well as Bangladesh factory's steady business, the management expects the results of our core garment operation in the coming years to be difficult and uncertain. Wuxi's investment would continue to be a big concern to the management. Stringent measures had already been taken by the Wuxi's management with the aim of improving its profitability. The coming financial year would be a hard and challenging one in view of all the unfavorable factors facing both our core business and Wuxi's investment.

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 China (Dongguan and Hangzhou). These offices not only provide support to our own factories, but also monitor and liaise with our subcontractors and business partners in the areas.

It had been another challenging year for our core garment business. On the selling side, the weak Euro and GBP had a big impact on our profit margin and affected our competitiveness in the market. On the manufacturing side, the usual unfavorable factors like: shortage of labour, uneven spread of orders, ever increasing manufacturing costs and lower garment prices demanded by customers continued to challenge our factories' management. Despite all the adverse factors, we were able to record a profit of HK$4,357,000 (2014/15: a loss of HK$23,608,000). There were two main reasons that attributed to the positive results. Firstly was the hard work and perseverance of our management and staff in cutting down our manufacturing and operating costs. Secondly was the substantial valuation gain of our investment properties. However the hefty losses of our Wuxi investment had shrunk the overall profits. The general sluggish market conditions, plus the weak and unstable European currencies largely due to Britain leaving the European Union made the coming year even more difficult and unpredictable for our garment business. Our management and sales teams would monitor closely, stay alert and ahead of the situations.

Our China factories operating under the names of Exquisite Knitters (Guangzhou) Limited and Whampoa Garment Manufacturing (Guigang) Co., Ltd., after years of restructuring, maximizing resources and minimizing expenses finally paid off, recorded positive results in the year under review. For year 2016/17, to combat the fierce competition both domestically and from our neighboring countries, the management would focus on the increase of efficiency, introduction of semi-automatic machines, expansion of its domestic operation and development of new products. By doing so, it is hoped that our China factories would be able to continue contributing positively towards the group's profits.

Lavender Garment Limited, our factory in Bangladesh, recorded a positive result for the year under review. Comparing to the last financial year, its profit, however, had dropped quite considerably. Lower garment prices and extra costs to maintain the factory attributed to the lower profit. The management expected the situations to be similar for the coming year. The workers' safety authority – Accord and Alliance of Bangladesh has imposed very strict safety control on all factories there including the building, electrical and fire protection. On one hand this added extra costs to the factories but on the other it helps to improve Bangladesh factories' image. Overseas customers are now more willing to place orders there which is a positive signal and beneficial to our operation there.

Our factory in Myanmar – Dagon Talent Garment Limited, was in its second year of operation since its establishment in August 2014. Its financial results, though still at a loss, had improved considerably. The better than expected result was the outcome of higher efficiency of the sewing workers and the increase of garment manufacturing prices. The political environment had been stable since the new Myanmar government took office in April this year. This attracted more and more overseas customers to place their orders there. This was an encouraging sign. Our management there would insert its best efforts to improve the factory's productivity and competitiveness, and it is hopeful that it could have a breakeven result for the coming year.

OTHER BUSINESS
Wuxi No. 1 Cotton Investment Co., Ltd. in which we have a 49% shareholding is a joint venture that owns several textiles related companies in Wuxi, China ("Wuxi Group"). The core business of the Wuxi Group is the production of medium range to high end yarns. The Wuxi Group recorded a loss of HK$28,391,000 in the year under review (2014/15: HK$20,356,000). There were several reasons for the higher than projected losses. Firstly was the severe inferior quality of cotton supplied by its primary source in Xinjiang that affected its yarn production. Secondly, the low efficiency of some of the machinery in part of the weaving department had affected the productivity and hence the competitiveness of the products. Thirdly was the over supply of viscose related products that affected its profit margin, and fourthly was the strong competition from Xinjiang suppliers that had grown in number over the years as a result of national policy. The next financial year would remain challenging for the Wuxi operation. It is hoped that through improving productivity, closing down uncompetitive weaving divisions, adjusting product mix and increase clientele in Europe and Pakistan, the coming year's financial result would be less volatile.

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 2016, the cash and bank balances of the Group were approximately HK$311,644,000 (2015: HK$272,465,000). As at 31 March 2016 and 2015, 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 2016, the Group has forward foreign exchange contracts hedging forecast transactions with a net fair value of HK$671,000, recognised as derivative financial liabilities (2015: HK$531,000, recognised as derivative financial assets).

PLEDGE OF ASSETS

As at 31 March 2016, none of the assets of the Group was pledged.

EMPLOYMENT AND REMUNERATION POLICIES

As at 31 March 2016, the Group, including its subsidiaries but excluding its associate and joint ventures, employed approximately 3,900 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 2016.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied throughout the year ended 31 March 2016 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 2016.

ANNUAL GENERAL MEETING

The annual general meeting of the shareholders of the Company will be held on Wednesday, 14 September 2016 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 2016 will be dispatched to the shareholders and published on the above websites in due course.

By Order of the Board
Yangtzekiang Garment Limited
Chan Wing Fui, Peter
Chairman

Hong Kong, 29 June 2016

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.