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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 2018

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 2018 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 2018
(Expressed in Hong Kong dollars)

	Note	**2018** *$'000*	2017 *$'000*
Revenue	*3&4*	**749,280**	800,343
Cost of sales		**(611,731)**	(661,036)
Gross profit		**137,549**	139,307
Other income	*5*	**10,866**	11,016
Selling and distribution expenses		**(53,596)**	(57,248)
Administrative expenses		**(62,373)**	(64,631)
Other operating expenses		**(15,350)**	(15,881)
Profit from operations		**17,096**	12,563
Finance costs	*6(a)*	**(2,553)**	(2,719)
Share of profits of joint ventures		**14,967**	11,497
Gain on deregistration of a subsidiary	*7*	**-**	12,838
Impairment loss on plant and equipment	*8*	**(4,758)**	(12,304)
Net valuation gains on investment properties	*12*	**17,545**	12,369
Profit before taxation	*6*	**42,297**	34,244
Income tax	*9*	**(7,254)**	(6,259)
Profit for the year		**35,043**	27,985
Attributable to:			
Equity shareholders of the Company		**36,558**	30,380
Non-controlling interests		**(1,515)**	(2,395)
Profit for the year		**35,043**	27,985
Earnings per share			
Basic and diluted	*11*	**$0.18**	$0.15

Details of dividends payable to equity shareholders of the Company attributable to the year are set out in note 10.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 March 2018
(Expressed in Hong Kong dollars)

	2018	2017
	$'000	*$'000*
Profit for the year	**35,043**	27,985
Other comprehensive income for the year (after tax and reclassification adjustments)		
Items that are or may be reclassified subsequently to profit or loss:		
Exchange differences on translation of:		
- financial statements of subsidiaries outside Hong Kong	**10,154**	(7,584)
- share of joint ventures' net assets	**55,618**	(33,012)
	65,772	(40,596)
Release of exchange reserve to profit or loss upon deregistration of a subsidiary	**-**	(12,838)
Available-for-sale securities: net movement in the investment revaluation reserve	**(1,370)**	1,637
Cash flow hedges: net movement in the hedging reserve	**(2,255)**	551
Other comprehensive income for the year	**62,147**	(51,246)
Total comprehensive income for the year	**97,190**	(23,261)
Attributable to:		
Equity shareholders of the Company	**98,823**	(20,720)
Non-controlling interests	**(1,633)**	(2,541)
Total comprehensive income for the year	**97,190**	(23,261)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 March 2018
(Expressed in Hong Kong dollars)

	Note	2018 $'000	2017 $'000
Non-current assets			
Investment properties	12	**240,556**	220,579
Other property, plant and equipment		**58,223**	65,146
Interest in leasehold land held for own use under operating leases		**1,438**	1,353
		300,217	287,078
Intangible assets		**3,080**	3,175
Interest in an associate		**-**	-
Interests in joint ventures		**571,043**	513,385
Other financial assets		**4,611**	5,731
Deferred tax assets		**271**	1,754
		879,222	811,123
Current assets			
Inventories		**68,686**	68,168
Trade and other receivables	13	**120,000**	138,839
Current tax recoverable		**131**	1,169
Cash at bank and in hand		**323,112**	313,489
		511,929	521,665
Current liabilities			
Trade and other payables	14	**86,407**	105,568
Current tax payable		**16,036**	19,152
		102,443	124,720
Net current assets		**409,486**	396,945
Total assets less current liabilities		**1,288,708**	1,208,068
Non-current liabilities			
Provision for long service payments		**22,728**	20,407
Deferred tax liabilities		**17,013**	15,209
		39,741	35,616
NET ASSETS		**1,248,967**	1,172,452
CAPITAL AND RESERVES			
Share capital		**208,418**	208,418
Reserves		**1,039,310**	961,162
Total equity attributable to equity shareholders of the Company		**1,247,728**	1,169,580
Non-controlling interests		**1,239**	2,872
TOTAL EQUITY		**1,248,967**	1,172,452

NOTES:
(Expressed in Hong Kong dollars)

1. BASIS OF PREPARATION

The financial information relating to the years ended 31 March 2018 and 2017 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 2017, is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) ("Companies Ordinance") is as follows:

The financial statements for the year ended 31 March 2018 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 2017 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 2017. 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 2018 have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"). In addition, this announcement has been reviewed by the Company's audit committee.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that investment properties, financial instruments classified as available-for-sale securities and derivative financial instruments are stated at their fair value.

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2018 have been compared by the Company's auditors, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditors on this announcement.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

- Amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*
- Amendments to HKAS 12, *Income taxes: Recognition of deferred tax assets for unrealised losses*

None of these impact on the accounting policies of the Group. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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:

	2018	2017
	$'000	*$'000*
Manufacture and sale of garments	**695,042**	750,564
Manufacture and sale of textiles	**20,905**	19,426
Processing service income	**25,292**	21,930
Property rental income	**8,041**	8,423
	749,280	800,343

The Group's customer base is diversified. For the year ended 31 March 2018, revenue of approximately $124,476,000 is derived from a single external customer with whom transactions have exceeded 10% of the Group's revenue. For the year ended 31 March 2017, revenue of approximately $124,255,000 was derived from a single external customer with whom transactions had exceeded 10% of the Group's revenue. These revenues are attributable to the sales of garments.

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 are further adjusted for items not specifically attributed to individual segments, such as net valuation gains on investment properties, auditors' remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning revenue (including inter-segment sales), interest income and finance costs from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Interests in joint ventures

The Group's interests in joint ventures are accounted for in the consolidated financial statements under the equity method, and presented as a separate reportable segment. The Group's senior executive management reviews the post-tax result of the interests in joint ventures, which is defined as the reportable segment profit/loss for this particular segment. Reportable segment assets represent the Group's share of net assets of the joint ventures. Revenue of joint ventures is not presented as reportable segment revenue because it is not reviewed by the Group's senior executive management for resource allocation purposes.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 March 2018 and 2017 is set out below:

	Manufacture and sale of garments and textiles		Interests in joint ventures		Property leasing		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Revenue from external customers	**741,239**	791,920	**-**	-	**8,041**	8,423	**749,280**	800,343
Inter-segment revenue	**-**	-	**-**	-	**1,316**	1,635	**1,316**	1,635
Reportable segment revenue	**741,239**	791,920	**-**	-	**9,357**	10,058	**750,596**	801,978
Reportable segment profit (adjusted EBITDA)	**16,560**	16,065	**14,967**	11,497	**8,834**	6,923	**40,361**	34,485
Interest income	**1,091**	956	**-**	-	**-**	-	**1,091**	956
Finance costs	**(2,553)**	(2,719)	**-**	-	**-**	-	**(2,553)**	(2,719)
Depreciation and amortisation	**(5,157)**	(7,502)	**-**	-	**-**	-	**(5,157)**	(7,502)
Gain on deregistration of a subsidiary	**-**	12,838	**-**	-	**-**	-	**-**	12,838
Impairment loss on plant and equipment	**(4,758)**	(12,304)	**-**	-	**-**	-	**(4,758)**	(12,304)
Impairment loss on trade receivables	**(279)**	(3,012)	**-**	-	**-**	-	**(279)**	(3,012)
Impairment loss on other receivables reversed	**-**	1,840	**-**	-	**-**	-	**-**	1,840
Reportable segment assets	**570,519**	586,166	**571,043**	513,385	**304,193**	280,405	**1,445,755**	1,379,956
Additions to non-current segment assets during the year	**2,005**	4,302	**-**	-	**-**	-	**2,005**	4,302
Reportable segment liabilities	**105,133**	121,918	**-**	-	**-**	-	**105,133**	121,918

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

	2018	2017
	$'000	*$'000*
Revenue		
Reportable segment revenue	**750,596**	801,978
Elimination of inter-segment revenue	**(1,316)**	(1,635)
Consolidated revenue	**749,280**	800,343
Profit		
Reportable segment profit derived from the Group's external customers (adjusted EBITDA)	**40,361**	34,485
Finance costs	**(2,553)**	(2,719)
Interest income	**1,091**	956
Depreciation and amortisation	**(5,157)**	(7,502)
Gain on deregistration of a subsidiary	**-**	12,838
Impairment loss on plant and equipment	**(4,758)**	(12,304)
Net valuation gains on investment properties	**17,545**	12,369
Unallocated head office and corporate expenses	**(4,232)**	(3,879)
Consolidated profit before taxation	**42,297**	34,244
Assets		
Reportable segment assets	**1,445,755**	1,379,956
Elimination of inter-segment assets	**(63,636)**	(59,825)
	1,382,119	1,320,131
Intangible assets	**3,080**	3,175
Other financial assets	**4,611**	5,731
Current tax recoverable	**131**	1,169
Deferred tax assets	**271**	1,754
Unallocated head office and corporate assets	**939**	828
Consolidated total assets	**1,391,151**	1,332,788
Liabilities		
Reportable segment liabilities	**105,133**	121,918
Current tax payable	**16,036**	19,152
Deferred tax liabilities	**17,013**	15,209
Unallocated head office and corporate liabilities	**4,002**	4,057
Consolidated total liabilities	**142,184**	160,336

(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**	
	2018	2017	**2018**	2017
	$'000	*$'000*	***$'000***	*$'000*
Hong Kong (place of domicile)	**44,255**	41,348	**255,827**	243,875
Europe				
- United Kingdom	**111,321**	134,696	**-**	-
- Italy	**137,493**	143,724	**-**	-
- Spain	**71,593**	67,544	**-**	-
- Other European countries	**121,295**	110,275	**-**	-
Mainland China	**36,631**	52,325	**613,219**	550,031
North America				
- United States	**115,173**	142,567	**-**	-
- Canada	**9,749**	9,410	**-**	-
Others	**101,770**	98,454	**5,294**	9,732
	705,025	758,995	**618,513**	559,763
	749,280	800,343	**874,340**	803,638

5. OTHER INCOME

	2018	2017
	$'000	*$'000*
Net gain on disposals of other property, plant and equipment	**4,610**	5,788
Scrap income	**1,906**	2,097
Interest income	**1,091**	956
Management fee income	**804**	804
Dividend income from equity securities	**517**	486
Net claim income	**233**	707
Recovery of receivables written off in prior years	**130**	-
Government grants	**119**	933
Write-off of aged payables	**90**	73
Commission income	**71**	201
Net exchange loss	**(1,018)**	(65)
Net loss on disposals of investment properties	**-**	(2,822)
Sundry income	**2,313**	1,858
	10,866	11,016

6. PROFIT BEFORE TAXATION

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

	2018	2017
	$'000	*$'000*
(a) Finance costs:		
Interest on bank advances (including bank charges)	**2,410**	2,729
Cash flow hedges: reclassified from equity	**143**	(10)
	2,553	2,719
(b) Other items:		
Cost of inventories	**611,731**	661,036
Amortisation of pre-paid interests in leasehold land	**57**	55
Amortisation of intangible assets	**95**	95
Depreciation	**5,005**	7,352
Net loss/(gain) on cash flow hedging instruments reclassified from equity	**2,317**	(4,183)
Impairment losses/(reversal of impairment losses) on:		
- trade receivables	**279**	3,012
- other receivables	**-**	(1,840)

7. DEREGISTRATION OF A SUBSIDIARY

During the year ended 31 March 2017, Whampoa Garment Manufacturing (Guangzhou) Co., Ltd., a wholly-owned subsidiary of the Group, was deregistered and a one-off non-cash gain of $12,838,000 arising from the release of exchange reserve upon deregistration was recognised in profit or loss.

8. IMPAIRMENT LOSSES

A subsidiary of the Company engaged in garment manufacturing in Bangladesh which constituted a single cash generating unit ("CGU") of the Group.

During the year ended 31 March 2018, this subsidiary recorded operating losses which indicated the plant and equipment belong to this subsidiary might have been impaired. As such, the Group assessed the recoverable amounts of the plant and equipment of the subsidiary as at 31 March 2018 and as a result, the carrying amounts of the plant and equipment of the subsidiary was written down to its recoverable amount of $5,130,000. Accordingly, an impairment loss of $4,758,000 was recognised in profit or loss for the year ended 31 March 2018. The estimates of recoverable amount were based on value-in-use calculations which adopted a discount rate of 24.5%. The discount rate used was pre-tax and reflect specific risks relating to the subsidiary.

For the year ended 31 March 2017, the Group assessed the recoverable amounts of two garment manufacturing plants in Myanmar and Guangxi, Mainland and as a result, the carrying amounts of the plant and equipment of both CGUs were fully written down. Accordingly, an impairment loss of $12,304,000 was recognised in profit or loss for the year ended 31 March 2017. The estimates of recoverable amount were based on value-in-use calculations which adopted pre-tax discount rates of 23.2% and 15.1%.

Impairment loss on plant and equipment is recognised in the line item "impairment loss on plant and equipment" on the face of the consolidated statement of profit or loss.

9. INCOME TAX

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

	2018	2017
	$'000	*$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**3,885**	4,126
Over-provision in respect of prior years	**-**	(324)
	3,885	3,802
Current tax – Overseas		
(Credit)/provision for the year	**(847)**	2,747
Land Appreciation Tax	**486**	1,997
	(361)	4,744
Deferred tax		
Origination and reversal of temporary differences	**3,730**	(2,287)
	7,254	6,259

The provision for Hong Kong Profits Tax for 2018 is calculated at 16.5% (2017: 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.

10. DIVIDENDS

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

	2018	2017
	$'000	*$'000*
Final dividend proposed after the end of the reporting period of $0.12 (2017: $0.10) per ordinary share	**24,810**	20,675

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

	2018	2017
	$'000	*$'000*
Final dividend in respect of the previous financial year, approved and paid during the year of $0.10 (2017: $0.10) per ordinary share	**20,675**	20,675

11. 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 $36,558,000 (2017: $30,380,000) and the weighted average number of 206,748,000 (2017: 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 2018 and 2017.

12. INVESTMENT PROPERTIES

During the year ended 31 March 2018, the Group recognised net valuation gains of approximately $17,545,000 (2017: $12,369,000) on its investment properties which mainly resulted from the favourable valuation of the properties in Hong Kong.

13. TRADE AND OTHER RECEIVABLES

	2018	2017
	$'000	*$'000*
Trade debtors	**74,888**	76,518
Bills receivable	**30,744**	43,388
Less: allowance for doubtful debts	**(3,546)**	(3,267)
	102,086	116,639
Deposits, prepayments and other debtors	**17,100**	17,493
Amounts due from related companies	**814**	4,596
Amount due from an associate	**-**	17
Derivative financial instruments	**-**	94
	120,000	138,839

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 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:

	2018	2017
	$'000	*$'000*
Within 1 month	**41,916**	57,146
Over 1 month but within 2 months	**29,245**	23,613
Over 2 months but within 3 months	**16,756**	20,857
Over 3 months but within 4 months	**7,753**	5,837
Over 4 months	**6,416**	9,186
	102,086	116,639

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

14. TRADE AND OTHER PAYABLES

	2018	2017
	$'000	*$'000*
Trade creditors	**46,717**	64,702
Bills payable	**-**	673
	46,717	65,375
Accrued charges and other creditors	**36,969**	39,530
Amounts due to related companies	**355**	339
Amounts due to joint ventures	**13**	79
Amount due to an associate	**-**	197
Derivative financial instruments	**2,353**	48
	86,407	105,568

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.

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

	2018	2017
	$'000	*$'000*
Within 1 month	**22,660**	41,971
Over 1 month but within 2 months	**15,656**	10,171
Over 2 months but within 3 months	**5,417**	9,589
Over 3 months	**2,984**	3,644
	46,717	65,375

DIVIDENDS

The Board resolved to recommend the payment of a final dividend of HK12 cents (2017: HK10 cents) per ordinary share in respect of the year ended 31 March 2018 at the forthcoming annual general meeting of the Company to be held on 3 September 2018. The aggregate final dividend amounting to HK$24,810,000 (2017: HK$20,675,000), if approved by the shareholders, is expected to be paid on or around 21 September 2018.

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 28 August 2018 to 3 September 2018 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the right to attend and vote at the forthcoming annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company share registrar, Computershare Hong Kong Investor Services Limited, which is located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Monday, 27 August 2018.

The register of members of the Company will also be closed from 10 September 2018 to 12 September 2018 (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 21 September 2018 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 Friday, 7 September 2018.

BUSINESS REVIEW AND PROSPECTS

Revenue of the Group for the current year of 2017/18 was HK$749,280,000 (2016/17: HK$800,343,000) and the overall profit was HK$35,043,000 (2016/17: HK$27,985,000).

Although the revenue of the year under review was 6% less than the previous year, the overall profit was up 25%. The better-than-expected results attributed to the improvement of our garment business in the second half of the year, the revaluation gains on our investment properties as well as the positive results of our Wuxi investment.

Our business for the year under review recorded a profit from operations of HK$17,096,000 as compared to HK$12,563,000 of the year before, a 36% increase despite the fact that our business revenue had dropped by 6%. The improvement was largely due to the reduction of administration and operating expenses and a slightly higher gross margin.

Our operation in China (Panyu and Guigang) continued to be difficult and negative result was recorded in the year under review. The drastic drop of production orders and poor efficiency of our sewing workers accounted for the unsatisfactory results. It is hoped that through the closure of some of the non-profitable operations, expansion of domestic sale as well as the reduction of our manufacturing costs, our China operation could pull through this unfavourable business environment.

Our factory in Bangladesh in this financial year recorded a slight loss. The negative results attributed to the increase of manufacturing costs, price pressure from buyers and lack of regular orders in some months. The stringent control of the Bangladesh government in industrial safety and our factory's strict compliance with the rules have gained back our customers' confidence and hopefully our business would be back on track.

Our factory in Myanmar recorded an insignificant operational loss in the year under review which is a huge improvement from the previous few years. The orders had been steady which enhanced the management of our sewing workers and their efficiency. We foresee that the situation would continue into the coming year and we expect a breakeven result for our Myanmar operation.

Our investments in Wuxi continued to have good results for the year under review. Improved cotton quality, lower cotton prices and good product mix are the reasons for the satisfactory results. In view of the uncertainties brought about by the emerging U.S. – China trade war as well as the upward trend of cotton prices, the management expects next year to be profitable but at a reduced rate.

OUTLOOK

The unfavourable global market situation and the unstable currencies would continue to affect our profitability in the coming year. The uncertainties ignited by the emerging trade wars between countries might have great impact on our core garment business. The management would monitor the situation closely. Barring any unforeseen circumstances, the management is of the opinion that our core garment business would be able to maintain its profitability for the next financial year and the same would apply to our Wuxi investment too.

GARMENT BUSINESS

Yangtzekiang Garment Limited and Hong Kong Knitters Limited are the two names that we use to operate our garment business. We manufacture a wide variety of products that include men's and ladies' shirts, trousers, shorts, polo shirts, T-shirts, jackets and knitted outerwear, etc. Hong Kong is our Group's headquarters that handles our core garment businesses including manufacturing, trading and sourcing. 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 supports to our own factories, but also monitor and liaise with our subcontractors and business partners around these areas.

Our core garment business was full of challenges for the year under review. Though confronted by various unfavourable situations, we were able to overcome them and increased our profit from operations by 36%. Through the hard working of our sales and production teams, we managed to subdue the adverse effects caused by global political and economical instability. Yet the purchasing power of some of our clients had not regained their momentum and we were under great pressure, on one hand to keep our selling prices competitive and on the other to minimize our administration and operating costs. Nonetheless the management strived to keep pace with the changing business environment caused especially by the emerging trade wars worldwide.

Keen competitions, inefficiency of sewing workers, uneven spread of orders, ever escalating manufacturing costs and lower garment prices demanded by customers were but a few of the problems that confronted our factories over the years. Last financial year was no different. Our China factories operating under the names of Exquisite Knitters (Guangzhou) Limited and Whampoa Garment Manufacturing (Guigang) Co., Ltd., had recorded a loss for the year under review. Besides those unfavourable factors mentioned, our China factories were confronted with a drastic drop of sales orders from one of its long-term customers. Although new customers had been found to replace some of the production space, it took time for our sewing workers to cope with the new working patterns thus affecting our productivity. The management had tried to minimize the adverse effects by closing down one of the factories in Guigang, eliminating a few non-profitable divisions, monitoring closely the operation and manufactory costs as well as to expand our sales activities in the domestic market. Results were positive. Despite the foreseeable wage increase, the even tighter fuel control and rising yarn and dyeing charges, the management is hopeful that next year we could see better results for our China operation.

Our Bangladesh factory recorded a minor loss. The negative results attributed to our selling prices were unable to catch up with the ever increasing factory operating costs, and the lack of orders in some of the months. Knowing it would be difficult to combat these problems, our management hoped that through our perseverance in upgrading our quality and strict compliance of industrial safety in our factory, we could gain more of our customers' confidence to place their orders to Bangladesh. Hopefully in the next financial year, we could see positive results.

Our factory in Myanmar – Dagon Talent Garment Limited, though still recorded an operational loss in the year under review, had improved its results significantly. Stable orders and improved efficiency of our sewing workers were the main reasons for the improvement of our performance. Minimum wage has increased by 33% since May 2018. Although we could not recover this increase totally from our garment prices, we hope that through the continual improvement of efficiency and steady orders, we can further reduce its operational loss and hopefully to achieve a breakeven result.

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 profit shared by the Group for the year under review was HK$14,967,000 (2016/17: HK$11,497,000). The positive result attributed to two main reasons: firstly the cotton we utilized were substantially purchased from Xinjiang with improved quality and at lower prices, and secondly the timely adjustments of the product mix in response to market conditions. Factors that may affect Wuxi Group's results in the next financial year including: cotton prices have risen while yarn prices have not increased in tandem, thus squeezing the profit margins; the ongoing trade friction between China and the U.S. creates uncertainties on business outlook; the undergoing project in Ethiopia might stretch Wuxi Group's financial resources and increase their financial costs. Last but not least the upgrading of the factory is expected to enhance its productivity, product development and quality assurance. Barring unforeseen circumstances, the management expects next financial year to be profitable but at a reduced rate.

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 2018, the cash and bank balances of the Group were approximately HK$323,112,000 (2017: HK$313,489,000). As at 31 March 2018 and 2017, the Group did not have any short term and long term borrowings.

The Group adopts a prudent policy to hedge the fluctuation of foreign exchange rates. As most of the Group's sales, purchases, cash and bank balances are denominated in Hong Kong dollars, United States dollars, Euros, Pounds Sterling or Renminbi, the Group may enter into forward foreign exchange contracts to hedge its receivables and payables denominated in the above foreign currencies against the exchange rate fluctuation when the exposure is significant. As at 31 March 2018, the Group has forward foreign exchange contracts hedging forecast transactions with net fair value of HK$2,353,000(liabilities) (2017: HK$94,000(assets) and HK$48,000(liabilities)), recognised as derivative financial instruments.

PLEDGE OF ASSETS

As at 31 March 2018, none of the assets of the Group was pledged.

EMPLOYMENT AND REMUNERATION POLICIES

As at 31 March 2018, the Group, including its subsidiaries but excluding its associate and joint ventures, employed approximately 3,600 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 2018.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied throughout the year ended 31 March 2018 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 2018.

ANNUAL GENERAL MEETING

The annual general meeting of the shareholders of the Company will be held on Monday, 3 September 2018 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 2018 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, 27 June 2018

As at the date of this announcement, the Board consists of seven executive directors, namely Mr. Chan Wing Fui, Peter, Mr. Chan Wing Kee, Mr. Chan Wing To, Madam Chan Suk Man, Mr. Chan Wing Sun, Samuel, Madam Chan Suk Ling, Shirley and Mr. So Ying Woon, Alan and four independent non-executive directors, namely Mr. Lin Keping, Mr. Choi Ting Ki, Mr. So Stephen Hon Cheung and Mr. Li Guangming.