長江製衣有限公司
YANGTZEKIANG GARMENT LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock Code: 00294)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

The Board of Directors of Yangtzekiang Garment Limited ("**the Company**") hereby announces the unaudited interim results of the Company and its subsidiaries (together referred to as "**the Group**") and the Group's interests in joint ventures for the six months ended 30 September 2018 as follows. The interim results have not been audited, but have been reviewed by the Company's Audit Committee.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS – UNAUDITED
For the six months ended 30 September 2018
(Expressed in Hong Kong dollars)

		Six months ended 30 September	
		2018	2017
	Note	***$'000***	*$'000*
Revenue	*3*	**317,796**	314,747
Cost of sales		**(260,104)**	(259,140)
Gross profit		**57,692**	55,607
Other income		**1,674**	7,872
Selling and distribution expenses		**(26,538)**	(27,413)
Administrative expenses		**(30,432)**	(31,181)
Other operating expenses		**(7,432)**	(7,749)
Loss from operations		**(5,036)**	(2,864)
Finance costs	*4(a)*	**(1,674)**	(1,758)
Share of profits of joint ventures		**7,452**	5,632
Profit before taxation	*4*	**742**	1,010
Income tax	*5*	**(1,719)**	(3,776)
Loss for the period		**(977)**	(2,766)
Attributable to:			
Equity shareholders of the Company		**1,270**	(2,148)
Non-controlling interests		**(2,247)**	(618)
Loss for the period		**(977)**	(2,766)
Earnings/(loss) per share			
Basic and diluted	*8*	**$0.01**	($0.01)

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME – UNAUDITED
For the six months ended 30 September 2018
(Expressed in Hong Kong dollars)

	Six months ended 30 September	
	2018	2017
	$'000	*$'000*
Loss for the period	**(977)**	(2,766)
Other comprehensive income for the period (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	**(9,211)**	3,814
- share of joint ventures' net assets	**(50,994)**	21,920
	(60,205)	25,734
Available-for-sale securities:		
net movement in the investment revaluation reserve	**-**	(1,353)
Cash flow hedges:		
net movement in the hedging reserve	**2,356**	(2,420)
Other comprehensive income for the period	**(57,849)**	21,961
Total comprehensive income for the period	**(58,826)**	19,195
Attributable to:		
Equity shareholders of the Company	**(56,546)**	19,929
Non-controlling interests	**(2,280)**	(734)
Total comprehensive income for the period	**(58,826)**	19,195

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – UNAUDITED
At 30 September 2018
(Expressed in Hong Kong dollars)

	Note	At 30 September 2018 $'000	At 31 March 2018 $'000
Non-current assets			
Investment properties		**238,227**	240,556
Other property, plant and equipment		**55,549**	58,223
Interest in leasehold land held for own use under operating leases		**1,285**	1,438
		295,061	300,217
Intangible assets		**3,033**	3,080
Interests in joint ventures		**527,501**	571,043
Other financial assets		**4,413**	4,611
Deferred tax assets		**19**	271
		830,027	879,222
Current assets			
Inventories		**106,304**	68,686
Trade and other receivables	*9*	**129,026**	120,000
Current tax recoverable		**131**	131
Cash and cash equivalents		**266,591**	323,112
		502,052	511,929
Current liabilities			
Trade and other payables	*10*	**115,679**	86,407
Current tax payable		**15,269**	16,036
		130,948	102,443
Net current assets		**371,104**	409,486
Total assets less current liabilities		**1,201,131**	1,288,708
Non-current liabilities			
Provision for long service payments		**22,308**	22,728
Deferred tax liabilities		**17,155**	17,013
		39,463	39,741
NET ASSETS		**1,161,668**	1,248,967
CAPITAL AND RESERVES			
Share capital		**208,418**	208,418
Reserves		**955,627**	1,039,310
Total equity attributable to equity shareholders of the Company		**1,164,045**	1,247,728
Non-controlling interests		**(2,377)**	1,239
TOTAL EQUITY		**1,161,668**	1,248,967

Notes:
(Expressed in Hong Kong dollars)

1. BASIS OF PREPARATION

This interim financial results have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange"), including compliance with Hong Kong Accounting Standard ("HKAS") 34 *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 28 November 2018.

The interim financial results have been prepared in accordance with the same accounting policies adopted in the annual financial statements of the Group for the year ended 31 March 2018, except for the accounting policy changes that are expected to be reflected in the annual financial statements of the Group for the year ending 31 March 2019. Details of these changes in accounting policies are set out in note 2.

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

The interim financial results contain consolidated statement of financial position as at 30 September 2018 and the related consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income for the six months period then ended and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements of the Group for the year ended 31 March 2018. This interim financial results do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

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

The financial information relating to the financial year ended 31 March 2018 that is included in the interim financial results as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 March 2018 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 2018. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

2. CHANGES IN ACCOUNTING POLICIES

(a) Overview

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the group. Of these, the following developments are relevant to the group's financial statements:

- HKFRS 9, *Financial instruments*
- HKFRS 15, *Revenue from contracts with customers*
- HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

The group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to HKFRS 9, Prepayment features with negative compensation which have been adopted at the same time as HKFRS 9.

The adoption of HKFRS 15 had no material impact on the group's financial position and performance during the relevant periods. The group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses. Details of the changes in accounting policies are discussed in note 2(b) for HKFRS 9 and note 2(c) for HKFRS 15. Other than that, none of these developments has had a material effect on how the group results and financial position for the current or prior periods have been prepared or presented in this interim financial report.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of HKFRS 9 as an adjustment to the opening balance of equity at 1 April 2018. Comparative information is not restated. Yet, the adoption of HKFRS 9 does not lead to opening balance adjustments for each line item in the consolidated statement of financial position.

(b) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation

HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The group has applied HKFRS 9 retrospectively to items that existed at 1 April 2018 in accordance with the transition requirements. The group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 April 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on retained earnings and reserves and the related tax impact at 1 April 2018.

	$'000
Retained profits	
Transferred from investment revaluation reserve relating to financial assets now measured at FVPL	(1,064)
Net decrease in retained earnings at 1 April 2018	(1,064)
Investment revaluation reserve	
Transferred to retained profits relating to financial assets now measured at FVPL	1,064
Net increase in investment revaluation reserve at 1 April 2018	1,064

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Classification of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments held by the group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;
- FVOCI - recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or
- FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

The following table shows the original measurement categories for each class of the group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 March 2018	Reclassification	Remeasurement	HKFRS 9 carrying amount at 1 April 2018
	$'000	*$'000*	*$'000*	*$'000*
Financial assets carried at amortised cost				
Cash and cash equivalents	323,112	-	-	323,112
Trade and other receivables	120,000	-	-	120,000
	443,112	-	-	443,112
Financial assets carried at FVPL				
Equity securities not held for trading (note)	-	4,611	-	4,611
Financial assets classified as available-for-sale under HKAS 39 (note)	4,611	(4,611)	-	-

Note: Under HKAS 39, unlisted and listed securities were classified as available-for-sale financial assets. They are classified as at FVPL under HKFRS 9.

The measurement categories for all financial liabilities remain the same at 1 April 2018 have not been impacted by the initial application of HKFRS 9.

The group did not designate or de-designate any financial asset or financial liability at FVPL at 1 April 2018.

(ii) Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the expected credit loss ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The group applies the new ECL model to the following items:

- financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables);

Financial assets measured at fair value, including equity securities measured at FVPL are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the group in accordance with the contract and the cash flows that the group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate;

The maximum period considered when estimating ECLs is the maximum contractual period over which the group is exposed to credit risk.

In measuring ECLs, the group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. The group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income on credit-impaired financial assets

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Although there is a change in accounting policy, the application of the expected credit loss model does not have a material impact on the results and financial position of the Group.

(iii) Hedge accounting

The group has elected to adopt the new general hedge accounting model in HKFRS 9. Depending on the complexity of the hedge, this new accounting model allows a more qualitative approach to assessing hedge effectiveness compared to HKAS 39 to be applied, and the assessment is always forward-looking. The adoption of HKFRS 9 has not had a significant impact on the group's financial statements in this regard.

(iv) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 April 2018. Accordingly, the information presented for 31 March 2018 continues to be reported under HKAS 39 and thus may not be comparable with the current period.
- The following assessments have been made on the basis of the facts and circumstances that existed at 1 April 2018 (the date of initial application of HKFRS 9 by the group):
    - the determination of the business model within which a financial asset is held; and
    - the designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).
- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.
- All hedging relationships designated under HKAS 39 at 31 March 2018 met the criteria for hedge accounting under HKFRS 9 at 1 April 2018 and are therefore regarded as continuing hedging relationships. Changes to hedge accounting policies have been applied prospectively.

(c) HKFRS 15, *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specified the accounting for construction contracts.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

Timing of revenue recognition

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on when the group recognises revenue from sales of goods.

(d) HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC)22 does not have any material impact on the financial position and the financial result of the group.

3. SEGMENT REPORTING

The Group manages its business by divisions. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments:

- Manufacture and sale of garments and textiles: this segment covers the manufacture and sale of garment and textile products, and provision of garment processing services.
- Interests in joint ventures: the Group's joint ventures engage in the manufacture and sale of textile yarn products.
- Property leasing: this segment leases commercial and industrial premises to generate rental income.

(a) Information about profit or loss, assets and liabilities

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

	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*
For the six months ended 30 September								
Revenue from external customers	**314,744**	310,695	**-**	-	**3,052**	4,052	**317,796**	314,747
Inter-segment revenue	**-**	-	**-**	-	**658**	658	**658**	658
Reportable segment revenue	**314,744**	310,695	**-**	-	**3,710**	4,710	**318,454**	315,405
Reportable segment profit/(loss) (adjusted EBITDA)	**(5,743)**	(2,980)	**7,452**	5,632	**3,470**	4,446	**5,179**	7,098
	30 September 2018	31 March 2018	**30 September 2018**	31 March 2018	**30 September 2018**	31 March 2018	**30 September 2018**	31 March 2018
Reportable segment assets	**557,209**	570,519	**527,501**	571,043	**301,863**	304,193	**1,386,573**	1,445,755
Additions to non-current segment assets during the period	**907**	2,005	**-**	-	**-**	-	**907**	2,005
Reportable segment liabilities	**131,922**	105,133	**-**	-	**-**	-	**131,922**	105,133

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

(b) Reconciliations of reportable segment profit or loss

	Six months ended 30 September	
	2018	2017
	$'000	*$'000*
Reportable segment profit derived from Group's external customers (adjusted EBITDA)	**5,179**	7,098
Finance costs	**(1,674)**	(1,758)
Interest income	**1,293**	505
Depreciation and amortisation	**(2,401)**	(2,748)
Unallocated head office and corporate expenses	**(1,655)**	(2,086)
Consolidated profit before taxation	**742**	1,011

(c) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's investment properties, other property, plant and equipment and interest in leasehold land held for own use under operating leases, intangible assets, interests in joint ventures ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of investment properties, other property, plant and equipment and interest in leasehold land held for own use under operating leases, the location of the operation to which they are allocated, in the case of intangible assets, and the location of operations, in the case of interests in joint ventures.

	Revenue from external customers		Specified non-current assets	
	Six months ended 30 September		**30 September**	31 March
	2018	2017	**2018**	2018
	$'000	*$'000*	***$'000***	*$'000*
Hong Kong (place of domicile)	**16,426**	20,054	**254,713**	255,827
Europe				
- United Kingdom	**45,286**	44,104	**-**	-
- Italy	**60,716**	65,770	**-**	-
- Spain	**29,376**	31,188	**-**	-
- Other European countries	**62,024**	46,661	**-**	-
Mainland China	**19,246**	21,584	**565,633**	613,219
North America				
- United States	**55,277**	45,054	**-**	-
- Canada	**2,409**	2,071	**-**	-
Others	**27,036**	38,261	**5,249**	5,294
	301,370	294,693	**570,882**	618,513
	317,796	314,747	**825,595**	874,340

4. PROFIT BEFORE TAXATION

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

	Six months ended 30 September	
	2018	2017
	$'000	*$'000*
(a) Finance costs		
Interest on bank loans (including bank charges)	**1,674**	1,758
(b) Other items		
Amortisation of pre-paid interests in leasehold land	**28**	28
Amortisation of intangible assets	**47**	47
Depreciation	**2,326**	2,673
Dividends income and interest income	**(2,069)**	(1,022)
Gain on disposal of other property, plant and equipment	**(125)**	(3,659)

5. INCOME TAX

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

	Six months ended 30 September	
	2018	2017
	$'000	*$'000*
Current tax - Hong Kong Profits Tax	**1,512**	1,390
Current tax - Overseas	**184**	1,261
Deferred tax relating to the origination and reversal of temporary differences	**23**	1,125
	1,719	3,776

The provision for Hong Kong Profits Tax for 2018 is calculated at 16.5% (2017: 16.5%) of the estimated assessable profits for the period.

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

6. ACQUISITION OF NON-CONTROLLING INTERESTS IN A SUBSIDIARY OF THE GROUP

On 20 September 2018, the Company, through a wholly-owned subsidiary of the Group, entered into equity transfer agreements to acquire 31% equity interests in Lavender Garment Limited ("Lavender") from the non-controlling equity holders of Lavender at a consideration of USD467,000 (equivalent to $3,663,000). Upon completion of the above acquisition, Lavender became a wholly-owned subsidiary of the Group. Consequently, the Group recognised a decrease in non-controlling interests of $1,336,000.

7. DIVIDENDS

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

No interim dividend declared and paid after the interim period end (2017: nil).

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

Final dividend of $0.12 per ordinary share in respect of the year ended 31 March 2018 amounted to $24,810,000 was approved in the Company's Annual General Meeting on 3 September 2018. The dividends were paid on 21 September 2018.

Final dividend of $0.10 per ordinary share in respect of the year ended 31 March 2017 amounted to $20,675,000 was approved during the period ended 30 September 2017 and paid on 12 October 2017.

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 $1,270,000 (2017: loss of $2,148,000) and the weighted average number of 206,748,000 (2017: 206,748,000) ordinary shares in issue during the period.

(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 periods ended 30 September 2018 and 2017.

9. TRADE AND OTHER RECEIVABLES

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

	30 September 2018 *$'000*	31 March 2018 *$'000*
Within 1 month	**34,678**	41,916
Over 1 month but within 2 months	**45,213**	29,245
Over 2 months but within 3 months	**18,448**	16,756
Over 3 months but within 4 months	**7,582**	7,753
Over 4 months	**3,162**	6,416
Trade debtors and bills receivable, net of allowance for doubtful debts	**109,083**	102,086
Deposits, prepayments and other debtors	**15,671**	17,100
Amounts due from related companies	**4,101**	814
Derivative financial instruments	**171**	-
	129,026	120,000

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

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

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

10. TRADE AND OTHER PAYABLES

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

	30 September 2018 *$'000*	31 March 2018 *$'000*
Within 1 month	**45,429**	22,660
Over 1 month but within 2 months	**14,518**	15,656
Over 2 months but within 3 months	**2,644**	5,417
Over 3 months	**3,584**	2,984
Trade creditors and bills payable	**66,175**	46,717
Accrued charges and other creditors	**48,900**	36,969
Amounts due to related companies	**379**	355
Amounts due to joint ventures	**225**	13
Derivative financial instruments	**-**	2,353
	115,679	86,407

INTERIM DIVIDEND

The Board has resolved not to declare the payment of interim dividend for the six months ended 30 September 2018 (2017: nil).

BUSINESS REVIEW AND PROSPECTS

	Six months ended 30 September		
	2018	2017	+/-
	HK$'000	*HK$'000*	Change
Revenue	**317,796**	314,747	+1%
Gross profit	**57,692**	55,607	+4%
Gross profit margin	**18%**	18%	0pp
Loss from operations	**(5,036)**	(2,864)	+76%
Operating margin	**-2%**	-1%	-1pp
Profit /(loss) attributable to equity shareholders of the Company	**1,270**	(2,148)	-159%
Net profit margin	**0.4%**	-1%	+1.4pp
Earnings before interest income, finance costs, income tax, depreciation and amortisation (EBITDA)	**3,524**	5,012	-30%
EBITDA margin	**1%**	2%	-1pp
Earnings/(loss) per share - basic	**$0.01**	($0.01)	-200%

During the six months under review, our company recorded an overall loss of HK$977,000 as compared with a loss of HK$2,766,000 for the same period last year. Though our core garment business incurred a loss for the period under review, the positive return from our investment in the jointly owned entity in Wuxi had contributed to the improvement of our overall performance.

Our factory in Bangladesh had a difficult time for the period under review. The sudden change of import regulations imposed by the Bangladesh authority caused grave disruptions to our production which resulted in shipment delays and heavy airfreight expenses. Of all the increases in our operation costs, the 51% increase of minimum wage effective by end of 2018 would hit us most. With stable orders and costs control, the management is hopeful that we could recover some of the loss in the second half of the year.

Our Myanmar operation for the first half of the year had been steady. The impact of the 33% minimum wage hike was softened by the weak local currency. As the demand for manufacturing garments in Myanmar has been increasing, we will start expanding our current production facilities there in the second half of the year with a target to have full production twice the current size by end of next year.

Our China operation though still incurred a loss for the period under review had shown improvements comparing to last year same period due to higher sales turnover. However as it is expected that the sales turnover for the remaining year would decrease, while the minimum wages will increase, the performance of our China operation would be adversely affected.

Our joint ventures in Wuxi, China in the first half of 2018/19 achieved profit despite reduction of our gross profit margins due to increase of cotton prices but yarn prices not rising in tandem. Strong U.S. Dollars helped in mitigating some of the impacts from the prevailing adverse factors. The increasing pressure from the China-U.S. trade war would continue to affect our business for the second half of the year.

The uncertainties and pressure arising from the China-U.S. trade war and U.K.'s Brexit plus the big increase of minimum wages in all of our manufacturing areas caused instabilities to our core garment business. The remaining year would be a difficult and challenge one.

LIQUIDITY AND FINANCIAL POSITION

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

As at 30 September 2018, the cash and bank balances of the Group were approximately HK$266,591,000 (as at 31 March 2018: HK$323,112,000). As at 30 September 2018 and 31 March 2018, 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 30 September 2018, the Group has forward foreign exchange contracts hedging forecast transactions with net fair value of HK$171,000 (assets) (as at 31 March 2018: HK$2,353,000 (liabilities)), recognised as derivative financial instruments.

During the period, the Group spent approximately HK$907,000 in additions and replacement of other property, plant and equipment, compared to HK$1,717,000 for the same period last year.

PLEDGE OF ASSETS

As at 30 September 2018, none of the assets of the Group was pledged.

EMPLOYMENT AND REMUNERATION POLICIES

As at 30 September 2018, the Group, including its subsidiaries but excluding its associate and joint ventures, employed approximately of 3,700 employees. Remuneration packages are determined by reference to employees' performance and the prevailing salary levels in the market. In addition, the Group provides year end double pay, provident fund scheme, medical insurance and training to staff.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the period ended 30 September 2018.

AUDIT COMMITTEE

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

The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and the unaudited interim financial statements of the Group for the period ended 30 September 2018.

CORPORATE GOVERNANCE PRACTICES

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

DIRECTORS' SECURITIES TRANSACTIONS

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

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

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