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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 2023

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 joint ventures for the year ended 31 March 2023 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 2023

(Expressed in Hong Kong dollars)

	Note	2023 \$'000	2022 \$'000
Revenue	3&4	365,761	390,446
Cost of sales		<u>(294,064)</u>	<u>(329,819)</u>
Gross profit		71,697	60,627
Other net income	5	12,486	9,119
Selling and distribution expenses		(23,368)	(28,201)
Administrative expenses		(31,412)	(40,473)
Other operating expenses	6(c)	<u>(10,665)</u>	<u>(14,136)</u>
Profit/(loss) from operations		18,738	(13,064)
Finance costs	6(a)	(1,600)	(3,108)
Share of (losses)/profits of joint ventures		(39,198)	43,788
Net valuation gains on investment properties	10	<u>1,562</u>	<u>4,048</u>
(Loss)/profit before taxation	6	(20,498)	31,664
Income tax expenses	7	<u>(2,751)</u>	<u>(1,390)</u>
(Loss)/profit for the year		<u>(23,249)</u>	<u>30,274</u>
Attributable to:			
Equity shareholders of the Company		(23,249)	30,665
Non-controlling interests		<u>-</u>	<u>(391)</u>
(Loss)/profit for the year		<u>(23,249)</u>	<u>30,274</u>
(Loss)/earnings per share			
Basic and diluted	9	<u>(\$0.11)</u>	<u>\$0.15</u>

Details of dividends payable to equity shareholders of the Company attributable to the year are set out in note 8(a).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023

(Expressed in Hong Kong dollars)

	<i>Note</i>	2023 \$'000	2022 \$'000
(Loss)/profit for the year		<u>(23,249)</u>	<u>30,274</u>
Other comprehensive income for the year (after tax and reclassification adjustments)			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Equity investments at fair value through other comprehensive income: net movement in the investment revaluation reserve (non-recycling)		(347)	753
Surplus on revaluation of land and buildings transferred to investment property		<u>1,459</u>	<u>-</u>
		<u>1,112</u>	<u>753</u>
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of:			
- financial statements of subsidiaries outside Hong Kong		(2,908)	4,196
- share of joint ventures' net assets		<u>(34,565)</u>	<u>18,625</u>
		<u>(37,473)</u>	<u>22,821</u>
Release of exchange reserve upon deregistration of a subsidiary		-	283
Release of exchange reserve upon disposal of subsidiaries		<u>1,936</u>	<u>427</u>
Other comprehensive income for the year		<u>(34,425)</u>	<u>24,284</u>
Total comprehensive income for the year		<u><u>(57,674)</u></u>	<u><u>54,558</u></u>
Attributable to:			
Equity shareholders of the Company		(57,674)	54,953
Non-controlling interests		<u>-</u>	<u>(395)</u>
Total comprehensive income for the year		<u><u>(57,674)</u></u>	<u><u>54,558</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2023

(Expressed in Hong Kong dollars)

	Note	2023 \$'000	2022 \$'000
Non-current assets			
Investment properties	10	238,933	238,805
Other property, plant and equipment		41,907	45,063
Interest in leasehold land held for own use		1,045	1,185
		<u>281,885</u>	<u>285,053</u>
Intangible assets		2,605	2,700
Interests in joint ventures		515,923	590,493
Other financial assets		19,824	20,209
		<u>820,237</u>	<u>898,455</u>
Current assets			
Inventories		16,318	33,745
Trade and other receivables	11	50,693	113,643
Current tax recoverable		-	1,031
Bank deposits		128,099	-
Cash and cash equivalents		178,074	235,472
Assets held for sale	12	-	14,972
		<u>373,184</u>	<u>398,863</u>
Current liabilities			
Trade and other payables	13	36,190	54,015
Contract liabilities		4,588	7,290
Lease liabilities		74	454
Current tax payable		14,730	14,247
Provision for employee benefits		299	8,286
Liabilities directly associated with assets held for sale	12	-	9,175
		<u>55,881</u>	<u>93,467</u>
Net current assets		<u>317,303</u>	<u>305,396</u>
Total assets less current liabilities		<u>1,137,540</u>	<u>1,203,851</u>
Non-current liabilities			
Provision for employee benefits		13,752	18,548
Lease liabilities		-	81
Deferred tax liabilities		15,603	15,228
		<u>29,355</u>	<u>33,857</u>
NET ASSETS		<u>1,108,185</u>	<u>1,169,994</u>
CAPITAL AND RESERVES			
Share capital		208,418	208,418
Reserves		899,767	961,576
TOTAL EQUITY		<u>1,108,185</u>	<u>1,169,994</u>

NOTES:

(Expressed in Hong Kong dollars)

1. BASIS OF PREPARATION

The financial information relating to the years ended 31 March 2023 and 2022 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 2022, 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 2023 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 2022 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 2022. 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 2023 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, investments in equity securities and derivative financial instruments are stated at their fair values.

The financial figures in respect of Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2023 as set out in the preliminary announcement have been compared by the Company's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the auditor.

2. CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendment to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts - cost of fulfilling a contract*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. 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. Disaggregation of revenue by category is analysed as follows:

	2023 \$'000	2022 \$'000
Under the scope of HKFRS 15,		
<i>Revenue from contracts with customers:</i>		
- Manufacture and sale of garments	353,327	362,881
- Manufacture and sale of textiles	4,987	11,368
- Processing service income	1,449	10,139
	<u>359,763</u>	<u>384,388</u>
Under the scope of HKFRS 16, Leases:		
Gross rentals from investments properties	<u>5,998</u>	<u>6,058</u>
	<u><u>365,761</u></u>	<u><u>390,446</u></u>

Disaggregation of revenue from contracts with customers by geographic markets is disclosed in note 4(c).

The Group's customer base is diversified. For the year ended 31 March 2023, revenues of approximately \$53,668,000 (2022: \$70,483,000 and \$60,205,000) is derived from one (2022: two) external customer with whom transactions have 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, 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, depreciation and amortisation. 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 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 2023 and 2022 is set out below:

	Manufacture and sale of garments and textiles		Interests in joint ventures		Property leasing		Total	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Revenue from external customers	359,763	384,388	-	-	5,998	6,058	365,761	390,446
Inter-segment revenue	-	-	-	-	1,053	1,088	1,053	1,088
Reportable segment revenue	359,763	384,388	-	-	7,051	7,146	366,814	391,534
Reportable segment profit/(loss) (adjusted EBITDA)	13,087	(11,831)	(39,198)	43,788	6,611	6,812	(19,500)	38,769
Interest income	4,254	325	-	-	-	-	4,254	325
Finance costs	(1,600)	(3,108)	-	-	-	-	(1,600)	(3,108)
Depreciation and amortisation	(3,530)	(4,931)	-	-	-	-	(3,530)	(4,931)
Reversal of impairment losses on trade receivables	1,873	567	-	-	-	-	1,873	567
Bad debt written off	(33)	-	-	-	-	-	(33)	-
Release of lease liabilities upon early termination of leases	203	1,508	-	-	-	-	203	1,508
Reportable segment assets	415,796	443,561	515,923	590,493	293,325	312,436	1,225,044	1,346,490
Additions to non-current segment assets during the year	6,692	17,176	-	-	-	-	6,692	17,176
Reportable segment liabilities	52,066	97,394	-	-	-	-	52,066	97,394

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

	2023	2022
	\$'000	\$'000
Revenue		
Reportable segment revenue	366,814	391,534
Elimination of inter-segment revenue	<u>(1,053)</u>	<u>(1,088)</u>
Consolidated revenue	<u><u>365,761</u></u>	<u><u>390,446</u></u>
(Loss)/profit		
Reportable segment (loss)/profit derived from the Group's external customers (adjusted EBITDA)	(19,500)	38,769
Finance costs	(1,600)	(3,108)
Interest income	4,254	325
Depreciation and amortisation	(3,530)	(4,931)
Net valuation gains on investment properties	1,562	4,048
Release of lease liabilities upon early termination of leases	203	1,508
Net gain on disposal of subsidiaries	1,683	640
Unallocated head office and corporate expenses	<u>(3,570)</u>	<u>(5,587)</u>
Consolidated (loss)/profit before taxation	<u><u>(20,498)</u></u>	<u><u>31,664</u></u>
Assets		
Reportable segment assets	1,225,044	1,346,490
Elimination of inter-segment assets	<u>(54,392)</u>	<u>(73,632)</u>
	1,170,652	1,272,858
Intangible assets	2,605	2,700
Other financial assets	19,824	20,209
Current tax recoverable	-	1,031
Unallocated head office and corporate assets	<u>340</u>	<u>520</u>
Consolidated total assets	<u><u>1,193,421</u></u>	<u><u>1,297,318</u></u>
Liabilities		
Reportable segment liabilities	52,066	97,394
Current tax payable	14,730	14,247
Deferred tax liabilities	15,603	15,228
Unallocated head office and corporate liabilities	<u>2,837</u>	<u>455</u>
Consolidated total liabilities	<u><u>85,236</u></u>	<u><u>127,324</u></u>

(c) **Geographic information**

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's investment properties, other property, plant and equipment, interest in leasehold land held for own use, intangible assets and 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, 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	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Hong Kong (place of domicile)	<u>10,095</u>	17,974	<u>247,844</u>	245,962
Europe				
- United Kingdom	82,561	72,383	-	-
- Italy	35,091	71,882	-	-
- Spain	35,080	35,265	-	-
- Germany	79,282	80,116	-	-
- Other European countries	11,241	12,588	-	-
Mainland China	5,323	6,437	552,569	630,629
North America				
- United States	54,992	41,387	-	-
- Canada	2,882	1,385	-	-
Others	49,214	51,029	-	1,655
	<u>355,666</u>	372,472	<u>552,569</u>	632,284
	<u>365,761</u>	390,446	<u>800,413</u>	878,246

5. **OTHER NET INCOME**

	2023 \$'000	2022 \$'000
Interest income	4,254	325
Scrap income	1,301	619
Net (loss)/gain on forward foreign exchange contracts	(341)	534
Net exchange loss	(976)	(478)
Release of lease liabilities upon early termination of leases	203	1,508
Government grants	-	245
Management fee income	780	780
Dividend income from equity securities	515	494
Net gain on disposals of other property, plant and equipment	462	466
Net claim income	927	933
Net gain on disposal of subsidiaries	1,683	640
Sundry income	3,678	3,053
	<u>12,486</u>	<u>9,119</u>

6. (LOSS)/PROFIT BEFORE TAXATION

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

	2023 \$'000	2022 \$'000
(a) Finance costs:		
Interest on bank advances (including bank charges)	1,584	1,803
Interest on lease liabilities	16	1,305
	<u>1,600</u>	<u>3,108</u>
(b) Staff costs:		
In 2023, the Group received Government subsidies of HK\$2,600,000, being the wage subsidies under the Employment Support Scheme. The said amount has recognised as a deduction of the staff costs included in cost of sales, selling and distribution expenses and administrative expenses during the year ended 31 March 2023.		
(c) Other operating expenses:		
Reversal of impairment losses on trade receivables	(1,873)	(567)
Bad debt written off	33	-
Auditors' remuneration		
- audit services	1,431	1,444
- other services	448	485
Security fee	1,458	2,038
Insurance	1,492	1,595
Consultancy fee	835	880
Repair and maintenance fee	1,036	920
Other taxes and surcharges	1,768	1,703
Legal and professional fee	135	2,222
Motor vehicle expenses	555	609
Membership fee	494	451
Business and other registration fees	386	398
Amortisation of intangible assets	95	95
Donation	10	11
Written off of other receivables	-	186
Sundry expenses	2,362	1,666
	<u>10,665</u>	<u>14,136</u>
(d) Other items:		
Cost of inventories	294,064	329,819
Depreciation charges		
- owned property, plant and equipment	667	993
- right-of-use assets	2,768	3,843

7. INCOME TAX EXPENSES

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

	2023 \$'000	2022 \$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	2,496	-
Over-provision in respect of prior years	-	(16)
	<u>2,496</u>	<u>(16)</u>
Current tax – Overseas		
(Credit)/provision for the year	(946)	1,251
Deferred tax		
Origination and reversal of temporary differences	1,201	155
Income tax expenses	<u>2,751</u>	<u>1,390</u>

The provision for Hong Kong Profits Tax for 2023 was calculated at 16.5% of the estimated assessable profits for the year ended 31 March 2023, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime. For this subsidiary, the first \$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

No provision for Hong Kong Profits Tax has been made for the year ended 31 March 2022 as the Company and its Hong Kong subsidiaries sustained losses for taxation purpose during the year.

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

8. DIVIDENDS

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

	2023 \$'000	2022 \$'000
Final dividend proposed after the end of the reporting period of \$0.02 (2022: \$0.02) per ordinary share	<u>4,135</u>	<u>4,135</u>

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2023 \$'000	2022 \$'000
Final dividend in respect of the previous financial year, approved and paid during the year of \$0.02 (2022: \$ nil) per ordinary share	<u>4,135</u>	<u>-</u>

9. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of \$23,249,000 (2022: profit of \$30,665,000) and the weighted average number of 206,748,000 (2022: 206,748,000) ordinary shares in issue during the year.

(b) Diluted (loss)/earnings per share

The diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share as there were no dilutive potential ordinary shares in existence during the years ended 31 March 2023 and 2022.

10. INVESTMENT PROPERTIES

During the year ended 31 March 2023, the Group recognised net valuation gains of approximately \$1,562,000 (2022: \$4,048,000) on its investment properties.

11. TRADE AND OTHER RECEIVABLES

	2023 \$'000	2022 \$'000
Trade debtors	41,489	70,052
Bills receivable	2,169	40,596
Less: loss allowance	<u>(1,750)</u>	<u>(10,080)</u>
	41,908	100,568
Deposits, prepayments and other debtors	8,624	12,416
Amounts due from related companies	161	125
Derivative financial instruments	<u>-</u>	<u>534</u>
	<u>50,693</u>	<u>113,643</u>

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

The amounts due from related companies 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 loss allowance, is as follows:

	2023 \$'000	2022 \$'000
Within 1 month	11,490	40,720
Over 1 month but within 2 months	4,043	24,864
Over 2 months but within 3 months	10,557	15,299
Over 3 months but within 4 months	7,651	12,787
Over 4 months	8,167	6,898
	<u>41,908</u>	<u>100,568</u>

Trade debtors and bills receivable are due between 0 to 180 days (2022: 0 to 180 days) from the date of billing.

12. DISPOSAL GROUP HELD FOR SALE

In March 2022, management committed to a plan to sell part of a manufacturing facility in Bangladesh within the manufacture and sales of garments and textiles segment. Accordingly, the assets and liabilities related to part of that facility is presented as a disposal group held for sale. The sale was completed in December 2022.

13. TRADE AND OTHER PAYABLES

	2023 \$'000	2022 \$'000
Trade creditors	14,724	24,932
Bills payable	455	776
	<u>15,179</u>	<u>25,708</u>
Accrued charges and other creditors	20,590	28,108
Derivative financial instruments	341	-
Amounts due to related companies	67	186
Amounts due to joint ventures	13	13
	<u>36,190</u>	<u>54,015</u>

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

The amounts due to related companies and joint ventures 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:

	2023 \$'000	2022 \$'000
Within 1 month	11,217	15,919
Over 1 month but within 2 months	1,291	6,912
Over 2 months but within 3 months	291	549
Over 3 months	2,380	2,328
	<u>15,179</u>	<u>25,708</u>

DIVIDENDS

The Board resolved to recommend the payment of a final dividend of HK2 cents (2022: HK2 cents) per ordinary share in respect of the year ended 31 March 2023 at the forthcoming annual general meeting of the Company to be held on 22 September 2023. The aggregate final dividend amounting to HK\$4,135,000 (2022: HK\$4,135,000), if approved by the shareholders, is expected to be paid on or around 16 October 2023.

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 19 September 2023 to 22 September 2023 (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, 18 September 2023.

The register of members of the Company will also be closed from 29 September 2023 to 5 October 2023 (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 16 October 2023 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 Thursday, 28 September 2023.

BUSINESS REVIEW AND PROSPECTS

Revenue of the Group for the current year of 2022/23 was HK\$365,761,000 (2021/22: HK\$390,446,000) and the overall result was a loss of HK\$23,249,000 (2021/22: a profit of HK\$30,274,000).

Although our revenue for the year under review was 6% less, the operating result from our core garment business had improved to a profit of HK\$18,738,000 as compared to a loss of HK\$13,064,000 in the previous year. This was the result of cutting the losses incurred by Lavender, our Bangladesh factory, and the reduction of our overhead expenses.

However, our overall profit showed a loss of HK\$23,249,000 which was caused by the losses of our investment in Wuxi. This was announced in our earlier profit warning and explained in the Management Discussion and Analysis.

OUTLOOK

Due to economic and political uncertainties, consumer sentiment especially in wearing apparel in all our major markets in Europe and the U.S are not at its best. The management is of the opinion that the coming year for our core garment business would remain challenging. However we expect the losses from our Wuxi investment should be significantly reduced which should bring improvement to our overall results.

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. In addition to our fully owned factory in China (Panyu), we are also working in partnership with many factories in Myanmar, Bangladesh, Vietnam, Indonesia and Cambodia serving the needs of our customers worldwide. Besides Panyu where we have factory, we also have office in Hangzhou China. This office not only provides supports to our own factory, but also monitors and collaborates with our subcontractors and business partners around the area.

Although the Covid-19 pandemic has subsided, the other economic and political instabilities like rising interest rates, soaring inflation rates, increasing logistic costs, high energy prices, the US-China trade conflicts as well as the Russia-Ukraine conflict continue to make our business challenging. Our sales teams would continue to expand our client bases and to explore into more manufacturing sources and products development. Hopefully by doing so we could maintain our garment business with a profitable margin.

Our China factory is operating under the name of Exquisite Knitters (Guangzhou) Limited. Though a profit was being recorded for the year under review, profit at a lesser extent is expected in the year to come. We expect business orders will continue to decrease in the coming year as business from the U.S. and other western countries are moving manufacturing from China to other countries in Asia.

OTHER BUSINESS

Wuxi No. 1 Cotton Investment Co., Ltd. in which we have a 49% shareholding is a joint venture that owns several textiles related companies in Wuxi, China (“Wuxi Group”). The core business of the Wuxi Group is the production of medium range to high end yarns. The Group ended the financial year 2022/23 with a substantial loss caused by lower yarn selling prices, our cotton inventory bought at high price level elevating our material costs, increase in operating and financial costs and last but not least the market condition adversely affected by the Russia-Ukraine conflict, U.S. and EU sanctions. All these negative factors attributed to the poor results. In the year to come, the management expected export market to remain weak while domestic demand would gradually recover and yarn prices should improve. The management expect the next financial year to improve over the huge losses this year.

A profit warning of our company has been announced earlier stated that our overall losses this year was caused by the share of losses of our joint ventures in Wuxi. Such share of losses of joint ventures has no effect on the Group’s cash flow.

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 2023, the aggregated cash and cash equivalents and bank deposits of the Group were approximately HK\$306,173,000 (2022: HK\$235,472,000). As at 31 March 2023 and 2022, 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 committed future sales denominated in the above foreign currencies against the exchange rate fluctuation when the exposure is significant. As at 31 March 2023, the Group has forward foreign exchange contracts hedging forecast transactions with net fair value of HK\$341,000 (liabilities) (2022: HK\$534,000 (assets)), recognised as derivative financial instruments.

PLEDGE OF ASSETS

As at 31 March 2023, none of the assets of the Group was pledged.

EMPLOYMENT AND REMUNERATION POLICIES

As at 31 March 2023, the Group, including its subsidiaries but excluding its joint ventures, employed approximately 369 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 2023.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied throughout the year ended 31 March 2023 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 three 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 2023.

ANNUAL GENERAL MEETING

The annual general meeting of the shareholders of the Company will be held on Friday, 22 September 2023 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 2023 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 2023

As at the date of this announcement, the Board consists of six 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, and Madam Chan Suk Ling, Shirley and three independent non-executive directors, namely Mr. Choi Ting Ki, Mr. So Stephen Hon Cheung and Mr. Li Guangming.