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YGM TRADING LIMITED

(incorporated in Hong Kong with limited liability)

(Stock Code : 00375)

ANNOUNCEMENT OF THE INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

INTERIM RESULTS

The Board of Directors (the “Board”) of YGM Trading Limited (the “Company”) hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2017 as follows. The interim results for the period ended 30 September 2017 have not been audited, but have been reviewed by KPMG.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS – UNAUDITED

(Expressed in Hong Kong dollars unless otherwise indicated)

		Six months ended 30 September	
		2017	2016
	Note	\$'000	\$'000
Revenue	3 & 4	311,342	341,244
Cost of sales		<u>(121,595)</u>	<u>(150,271)</u>
Gross profit		189,747	190,973
Other income/(loss)		17,667	(2,516)
Distribution costs		(186,541)	(196,899)
Administrative expenses		(62,602)	(61,185)
Other operating expenses		<u>(2,685)</u>	<u>(1,427)</u>
Loss from operations		(44,414)	(71,054)
Valuation gain on an investment property		-	1,800
Gain on disposal of an investment property		4,378	-
Finance costs	5(a)	<u>(52)</u>	<u>(319)</u>
Loss before taxation	5	(40,088)	(69,573)
Income tax	6	<u>(1,182)</u>	<u>2,549</u>
Loss for the period		(41,270)	(67,024)
Attributable to :			
Equity shareholders of the Company		(39,601)	(65,357)
Non-controlling interests		<u>(1,669)</u>	<u>(1,667)</u>
Loss for the period		(41,270)	(67,024)
Loss per share	8		
<i>Basic</i>		<u>(23.9 cents)</u>	<u>(39.4 cents)</u>
<i>Diluted</i>		<u>N/A</u>	<u>N/A</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME – UNAUDITED**

(Expressed in Hong Kong dollars unless otherwise indicated)

	Six months ended 30 September	
	2017	2016
	\$'000	\$'000
Loss for the period	(41,270)	(67,024)
Other comprehensive income for the period (after tax and reclassification adjustments):		
Item that will not be reclassified to profit or loss:		
Surplus on revlaution of land and buildings held for own use upon change of use to investment properties	85,797	-
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries based outside Hong Kong	14,039	(21,825)
Other comprehensive income for the period	99,836	(21,825)
Total comprehensive income for the period	58,566	(88,849)
Attributable to :		
Equity shareholders of the Company	59,949	(87,222)
Non-controlling interests	(1,383)	(1,627)
Total comprehensive income for the period	58,566	(88,849)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – UNAUDITED

(Expressed in Hong Kong dollars unless otherwise indicated)

		30 September	31 March
		2017	2017
	Note	\$'000	\$'000
Non-current assets			
Investment properties		265,875	180,655
Other property, plant and equipment		115,773	112,236
		381,648	292,891
Intangible assets		102,050	102,050
Lease premium		6,900	6,225
Rental deposits and prepayments		12,756	15,762
Deferred tax assets		37,928	35,081
		541,282	452,009
Current assets			
Trading securities		-	195
Other financial assets		15,900	-
Inventories		81,208	75,894
Trade and other receivables	9	48,767	40,866
Current tax recoverable		232	1,259
Cash and cash equivalents		125,063	150,504
Assets of a disposal group classified as held for sale	11	593,623	605,515
		864,793	874,233
Current liabilities			
Trade and other payables	10	117,613	112,585
Bank loans and overdrafts		3,297	6,627
Dividends payable	7	16,586	-
Current tax payable		1,426	1,035
Liabilities of a disposal group classified as held for sale	11	64,996	43,121
		203,918	163,368
Net current assets		660,875	710,865
Total assets less current liabilities		1,202,157	1,162,874
Non-current liability			
Deferred tax liabilities		1,896	2,011
NET ASSETS		1,200,261	1,160,863
CAPITAL AND RESERVES			
Share capital		383,909	383,909
Reserves		791,426	749,095
Total equity attributable to equity shareholders of the Company		1,175,335	1,133,004
Non-controlling interests		24,926	27,859
TOTAL EQUITY		1,200,261	1,160,863

Notes:

(Expressed in Hong Kong dollars unless otherwise indicated)

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 29 November 2017.

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 2017, 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 2018. 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 are unaudited, but have been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA, whose unmodified review report is included in the interim financial report to be sent to shareholders. In addition, the interim financial results have been reviewed by the Company’s audit committee.

This interim financial results contain consolidated statement of financial position as at 30 September 2017 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 2017. 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 financial information relating to the financial year ended 31 March 2017 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 2017 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company’s auditor has reported on those financial statements. 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

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in this interim financial results.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. Segment reporting

The Group manages its businesses by divisions, which are organised by business lines. 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 identified four reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Sales of garments: the manufacture, wholesale and retail of garments.
- Licensing of trademarks: the management and licensing of trademarks for royalty income.
- Printing and related services: the manufacture and sale of printed products.
- Property rental: the leasing of properties 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:

For six months ended 30 September	Sales of garments		Licensing of trademarks		Printing and related services		Property rental		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	255,374	286,618	34,400	33,504	16,810	16,955	4,758	4,167	311,342	341,244
Inter-segment revenue	-	-	6,932	7,127	135	132	3,975	4,561	11,042	11,820
Reportable segment revenue	255,374	286,618	41,332	40,631	16,945	17,087	8,733	8,728	322,384	353,064
Reportable segment (loss)/profit (adjusted EBITDA)	(58,567)	(73,435)	18,936	19,145	3,314	2,848	6,940	5,268	(29,377)	(46,174)
	30 Sep	31 Mar	30 Sep	31 Mar	30 Sep	31 Mar	30 Sep	31 Mar	30 Sep	31 Mar
	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Reportable segment assets	712,705	744,214	483,109	477,935	22,661	24,930	266,281	181,087	1,484,756	1,428,166
Reportable segment liabilities	423,301	420,903	22,799	20,142	3,239	3,742	4,703	3,022	454,042	447,809

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

(b) Reconciliations of reportable segment profit or loss

	Six months ended 30 September	
	2017	2016
	\$'000	\$'000
Reportable segment loss	(29,377)	(46,174)
Elimination of inter-segment profits	(2,746)	(1,995)
Reportable segment loss derived from the Group's external customers	(32,123)	(48,169)
Other income/(loss)	87	(2,031)
Depreciation and amortisation	(10,944)	(11,663)
Valuation gain on an investment property	-	1,800
Gain on disposal of an investment property	4,378	-
Finance costs	(52)	(319)
Unallocated head office and corporate expenses	(1,434)	(9,191)
Consolidated loss before taxation	(40,088)	(69,573)

4. Seasonality of operations

The Group's sales of garments division on average experiences higher sales in the second half year, compared to the first half year, due to the increased demand of its products during the holiday season. As such, the first half year reports lower revenue and segment result for this segment than the second half.

For the twelve months ended 30 September 2017, the sales of garments division reported reportable segment revenue of \$612,238,000 (twelve months ended 30 September 2016: \$690,825,000) and reportable segment loss of \$104,710,000 (twelve months ended 30 September 2016: \$112,369,000).

5. Loss before taxation

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

	Six months ended 30 September	
	2017	2016
	\$'000	\$'000
(a) <i>Finance costs</i>		
Interest on bank loans and overdrafts	52	319
(b) <i>Other items</i>		
Depreciation and amortisation	10,944	11,663
Inventories write-down and losses net of reversals	18	(11,088)
Net exchange (gain)/loss	(14,156)	8,025
Net realised and unrealised loss on trading securities	16	407
Interest income	(121)	(58)
Dividend income from listed securities	(3)	(3)

6. Income tax

	Six months ended 30 September	
	2017	2016
	\$'000	\$'000
Current tax - Hong Kong Profits Tax	2,027	1,283
Current tax - Outside Hong Kong	1,479	(352)
Deferred taxation	(2,324)	(3,480)
	<u>1,182</u>	<u>(2,549)</u>

The provision for Hong Kong Profits Tax for 2017 is calculated at 16.5% (2016: 16.5%) of the estimated assessable profits for the period. Taxation for subsidiaries outside Hong Kong is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant countries.

7. Dividends

(a) *Dividend payable to equity shareholders attributable to the interim period:*

	Six months ended 30 September	
	2017	2016
	\$'000	\$'000
Interim dividend declared after the interim period of 20.0 cents (2016: Nil) per ordinary share	<u>33,173</u>	<u>-</u>

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

(b) *Dividends payable to equity shareholders attributable to the previous financial year and approved during the interim period:*

Final dividends of 10.0 HK cents per ordinary share in respect of the year ended 31 March 2017 amounted to \$16,586,000 was proposed by the directors on 27 June 2017 and was approved in the Company's Annual General Meeting on 20 September 2017. The dividends were paid on 12 October 2017. At 30 September 2017, the amount of dividends payable was included in "dividends payable" in the consolidated statement of financial position.

Final dividends of 5.0 HK cents per ordinary share in respect of the year ended 31 March 2016 amounted to \$8,293,000 was proposed by the directors on 29 June 2016 and was approved in the Company's Annual General Meeting on 14 September 2016. The dividends were paid on 3 October 2016.

8. Loss per share

(a) *Basic loss per share*

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of \$39,601,000 (six months ended 30 September 2016: \$65,357,000) and the weighted average of 165,864,000 ordinary shares (2016: 165,864,000 ordinary shares) in issue during the interim period.

(b) *Diluted loss per share*

There were no dilutive potential ordinary shares outstanding during six months ended 30 September 2017 and 2016. Accordingly, the diluted loss per share is the same as basic loss per share.

9. Trade and other receivables

As of the end of the reporting period, the ageing analysis of trade debtors (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	31 March
	2017	2017
	\$'000	\$'000
Within 1 month	19,394	22,849
Over 1 month but within 2 months	829	2,751
Over 2 months but within 3 months	3,178	2,110
Over 3 months	6,058	1,455
Trade debtors, net of allowance for doubtful debts	29,459	29,165
Deposits, prepayments and other receivables	18,552	10,942
Amounts due from related companies	6	9
Club memberships	750	750
	48,767	40,866

Individual credit evaluations are performed on all customers requiring credit over a certain amount. Trade debtors are due within 30 days to 90 days from the date of billing.

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	31 March
	2017	2017
	\$'000	\$'000
Within 1 month	19,105	15,716
Over 1 month but within 3 months	2,561	2,615
Over 3 months but within 6 months	747	1,435
Over 6 months	1,356	1,100
Total creditors and bills payable	23,769	20,866
Other payables and accrued charges	88,029	87,138
Amounts due to related companies	5,815	4,581
	117,613	112,585

11. Disposal group held for sale

On 28 February 2017, the Company entered into a disposal agreement (the "Disposal Agreement") with an independent third party (the "Purchaser"), pursuant to which the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the entire issued share capital of Aquascutum Holdings Limited ("Aquascutum Holdings"), a wholly-owned subsidiary of the Company, at a cash consideration of US\$117,000,000 (equivalent to approximately \$906,800,000). Aquascutum Holdings and its subsidiaries (the "Disposal Group") are engaged in the manufacturing and sales of products under the "Aquascutum" brand and the intellectual property rights associated with the brand within the sales of garments and the licensing of trademarks segments. On 19 April 2017, the ordinary resolution to approve the Disposal Agreement was duly passed by shareholders of the Company.

The Company and the Purchaser entered into a supplemental letter on 30 June 2017, a supplemental agreement on 28 September 2017 and a second supplemental agreement on 31 October 2017 to the Disposal Agreement, pursuant to which both parties agreed a completion date on 23 November 2017. In October 2016, a non-refundable deposit of US\$5,000,000 (equivalent to approximately \$38,800,000) was received.

In addition, the Purchaser advanced an amount of \$15,000,000 (the “Advanced Sum”) to the Disposal Group in July 2017 for the purpose of partially settling any of the advance payments, prepayments or down payments to the Disposal Group’s suppliers in connection with the Disposal Group’s products to be sold in 2017 fall & winter and 2018 spring & summer seasons. The Advanced Sum is non-refundable. In the event that the completion occurs, the balance of the Advanced Sum, if not utilised, shall be retained by the Disposal Group. Furthermore, additional non-refundable deposits of RMB99,427,500 (equivalent to approximately \$116,400,000) and US\$5,000,000 (equivalent to approximately \$38,800,000) have been received in October 2017 and November 2017 respectively.

Accordingly, the management assessed that the criteria for the classification of the disposal group held for sale were fulfilled as at 31 March 2017 and 30 September 2017 based on the facts and circumstances specific to the disposal. All the assets and liabilities of the Disposal Group are presented as assets of a disposal group classified as held for sale and liabilities of a disposal group classified as held for sale in aggregate in the consolidated statement of financial position as at 31 March 2017 and 30 September 2017.

The assets and liabilities of the disposal group classified as held for sale are presented separately in the consolidated statement of financial position as at 31 March 2017 and 30 September 2017 and the major classes of assets and liabilities of the Disposal Group as at 31 March 2017 and 30 September 2017 are as follows:

	30 September 2017 \$'000	31 March 2017 \$'000
Assets of a disposal group classified as held for sale		
Other property, plant and equipment	20,867	25,319
Intangible assets	345,832	345,832
Rental deposits and prepayments	17,288	17,880
Deferred tax assets	23,730	20,579
Inventories	108,096	126,684
Trade and other receivables	45,939	45,998
Current tax recoverable	536	117
Cash and cash equivalents	31,335	23,106
	<u>593,623</u>	<u>605,515</u>
Liabilities of a disposal group classified as held for sale		
Trade and other payables	60,794	39,837
Current tax payable	2,083	1,341
Deferred tax liabilities	2,119	1,943
	<u>64,996</u>	<u>43,121</u>
Net assets directly associated with the disposal group held for sale	<u><u>528,627</u></u>	<u><u>562,394</u></u>

Note: As at 30 September 2017, there was a cumulative foreign currency translation loss of \$22,598,000 (31 March 2017: \$22,034,000) recognised in other comprehensive income relating to the Disposal Group.

12. Non-adjusting event after the reporting period

The disposal as set out in note 11 was completed on 23 November 2017. The consideration in the aggregate amount of US\$117,000,000 (equivalent to approximately \$906,800,000) has been fully paid in cash by the Purchaser to the Company. Following the completion, the Disposal Group ceased to be subsidiaries of the Company. Accordingly, the assets, liabilities and results of the Disposal Group will cease to be consolidated into the consolidated financial statement of the Group since 24 November 2017. The gain on disposal cannot be reliably estimated by the directors of the Company at the date of approval of this interim financial results as the net asset value of the Disposal Group as at 23 November 2017 is subject to finalisation. A gain on disposal is expected to be recognised by the Group for the year ending 31 March 2018.

Details of the transaction are also set out in the Group's announcements dated 2 March 2017, 2 July 2017, 29 September 2017, 31 October 2017 and 23 November 2017 and the Group's circular to shareholders dated 28 March 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

RECENT DEVELOPMENTS

In May 2017, a wholly-owned subsidiary of the Company entered into a lease contract with an independent third party for the lease of a shop premise in Macau originally held for own use in previous years. Accordingly, the said shop premise was reclassified as investment properties and a valuation gain of HK\$85,797,000 was recognised in other comprehensive income during the reporting period.

On 28 June 2017, a wholly-owned subsidiary of the Company entered into the provisional sale and purchase agreement with an independent third party for the sale of an industrial premise, Unit No. 2, 6/F., No. 28 Ng Fong Street, San Po Kong, Kowloon, Hong Kong, at a consideration of HK\$14,678,000. The sale was completed on 11 August 2017 and a gain on disposal of HK\$4,378,000 was recognised in profit or loss during the reporting period.

The Group's manufacturing plant in Dongguan was closed before the end of September 2017 due to losses from operation during the past few years. Total losses and expenses relating to the closure (including employee benefit expenses and termination of operating lease, offset by proceed from disposal of plant and equipment) of HK\$1,129,000 was incurred in the reporting period.

As described in the Very Substantial Disposal Circular issued by the Company on 28 March 2017, the Company entered into a disposal agreement on 28 February 2017 with an independent third party (the "Purchaser"), pursuant to which the Group has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the entire issued share capital of Aquascutum Holdings Limited ("Aquascutum Holdings"), a wholly-owned subsidiary of the Company, at a cash consideration of US\$117,000,000 (equivalent to approximately HK\$906,800,000) (the "Disposal Agreement"). Aquascutum Holdings and its subsidiaries (the "Disposal Group") are engaged in the manufacturing and sales of products under the "Aquascutum" brand and the intellectual property rights associated with the brand within the sales of garments and the licensing of trademarks segments. A non-refundable deposit of US\$5,000,000 (equivalent to approximately HK\$38,800,000) was received from the Purchaser upon signing of the memorandum of understanding in October 2016. On 19 April 2017, the ordinary resolution to approve the Disposal Agreement was duly passed by shareholders of the Company.

The Company and the Purchaser entered into a supplemental letter on 30 June 2017 to the Disposal Agreement, pursuant to which both parties agreed a completion date on 30 September 2017 and the Purchaser advanced an amount of HK\$15,000,000 (the "Advanced Sum") to the Disposal Group for the purpose of partially settling any of the advance payments, prepayments or down payments to the Disposal Group's suppliers in connection with the Disposal Group's products to be sold in 2017 fall & winter and 2018 spring & summer seasons. The Advanced Sum is non-refundable. In the event that the completion occurs, the balance of the Advanced Sum, if not utilised, shall be retained by the Disposal Group.

The Company and the Purchaser entered into a supplemental agreement on 28 September 2017 to the Disposal Agreement, pursuant to which both parties agreed a completion date on 31 October 2017. An additional non-refundable deposit of RMB99,427,500 (equivalent to approximately HK\$116,400,000) was received in October 2017.

On 31 October 2017, the Company and the Purchaser entered into a second supplemental agreement to the Disposal Agreement, pursuant to which both parties agreed that the completion shall take place on 23 November 2017. An additional non-refundable deposit of US\$5,000,000 (equivalent to approximately HK\$38,800,000) has been received in November 2017.

The completion took place on 23 November 2017 and the remaining balance of the consideration amounted to US\$92,000,000 (equivalent to approximately HK\$713,039,000) was received from the Purchaser. Following the completion, the Disposal Group ceased to be subsidiaries of the Company. Accordingly, the assets, liabilities

and results of the Disposal Group will cease to be consolidated into the consolidated financial statement of the Group since 24 November 2017. A gain on disposal is expected to be recognised by the Group for the year ending 31 March 2018.

RESULTS OF THE GROUP'S OPERATIONS

Despite the previously depressed retail environment in Hong Kong and Mainland China shows some signs of improvement, the interim period ended 30 September 2017 was still challenging. The Group recorded a loss for the period which was mainly attributable to the decrease in sales in the wholesale and retail of branded garments, leather goods and accessories which is the Group's principal business.

Group's Operations

	Six months ended 30 September		
	2017	2016	change
	HK\$'000	HK\$'000	
Revenue	311,342	341,244	-8.8%
Gross profit	189,747	190,973	-0.6%
Gross profit margin	60.9%	56.0%	+4.9 pp
Loss from operations	(44,414)	(71,054)	-37.5%
Operating margin	-14.3%	-20.8%	+6.5 pp
Loss attributable to equity shareholders of the Company	(39,601)	(65,357)	-39.4%
Net loss margin	-12.7%	-19.2%	+6.5 pp
EBITDA	(29,092)	(57,591)	-49.5%
EBITDA margin	-9.3%	-16.9%	+7.6 pp
Loss per share - basic	(\$0.239)	(\$0.394)	-39.3%
Dividend per ordinary share	\$0.200	-	N/A
Dividend payout	-83.7%	-	N/A

The Group's revenue decreased by 8.8% to HK\$311,342,000 (2016: HK\$341,244,000). Total sales of garments, which is the Group's core business, fell by 10.9% to HK\$255,374,000 (2016: HK\$286,618,000). Total licensing of trademarks income from external customers increased by 2.7% to HK\$34,400,000 (2016: HK\$33,504,000). Total gross profit decreased by 0.6% to HK\$189,747,000 (2016: HK\$190,973,000). Overall gross profit margin increased to 60.9% from 56.0% for the last year same period.

The Group recorded a loss for the period of HK\$41,270,000 (2016: HK\$67,024,000). Total operating expenses amounted to HK\$251,828,000 (2016: HK\$259,511,000), representing a decrease of 3.0%. Total rental and other occupancy expenses of the Group decreased by 1.6% to HK\$96,059,000 (2016: HK\$97,635,000) which accounted for 30.9% (2016: 28.6%) of the Group's revenue. Total staff costs, including directors' remuneration, decreased by 2.2% to HK\$98,608,000 (2016: HK\$100,824,000) and accounted for 31.7% (2016: 29.5%) of the Group's revenue. Total advertising and promotion expenses of the Group increased by 4.2% to HK\$14,686,000 (2016: HK\$14,100,000) which accounted for 4.7% (2016: 4.1%) of the Group's revenue.

Cash Flow from Operations

Net cash of HK\$7,684,000 (2016: HK\$40,895,000) was used in operations for the period. Inventories as at the end of the period decreased to HK\$189,304,000 (including inventories held by the Disposal Group of HK\$108,096,000) from HK\$202,578,000 (including inventories held by the Disposal Group of HK\$126,684,000) as at 31 March 2017. Current ratio decreased to 4.2 (31 March 2017: 5.4).

As at 30 September 2017, the Group had cash and bank deposits net of bank loans and overdrafts of HK\$153,101,000 (including cash and bank deposits held by the Disposal Group of HK\$31,335,000) (31 March 2017: HK\$166,983,000 (including cash and bank deposits held by the Disposal Group of HK\$23,106,000)), a decrease of HK\$13,882,000 after accounting for receipts of the consideration of HK\$14,678,000 for the disposal of an industrial premise in San Po Kong, Kowloon, Hong Kong and the Advanced Sum of HK\$15,000,000 as mentioned above. At 30 September 2017, the Group did not hold any trading securities (31 March 2017: fair value of HK\$195,000). At 30 September 2017, the Group held other financial assets of HK\$15,900,000 (31 March 2017: HK\$Nil).

During the period, the Group spent approximately HK\$4,286,000 in additions and replacement of other property, plant and equipment, compared to HK\$14,673,000 for the previous period.

GROUP'S FINANCIAL POSITION

The Group financed its operations by internally generated cashflows and banking facilities provided by its bankers. The Group continues to maintain a prudent approach in managing its financial requirements.

The Group's net assets as at 30 September 2017 were HK\$1,200,261,000 (31 March 2017: HK\$1,160,863,000). The Group's gearing ratio at the end of the reporting period was 0.0028 (31 March 2017: 0.0058) which was calculated based on total borrowings of HK\$3,297,000 (31 March 2017: HK\$6,627,000) and shareholders' equity of HK\$1,175,335,000 (31 March 2017: HK\$1,133,004,000). The Group's borrowings are mainly on a floating rate basis.

The Group also maintains a conservative approach to foreign exchange exposure management. The Group is exposed to currency risk primarily through income and expenditure streams denominated in United States Dollars, Pound Sterling, Euros, Renminbi Yuan and Japanese Yen. To manage currency risks, non Hong Kong Dollar assets are financed primarily by matching local currency debts as far as possible.

OPERATIONS REVIEW

Sales of Garments

	Six months ended 30 September		change
	2017	2016	
	HK\$'000	HK\$'000	
Revenue from sales of garments	255,374	286,618	-10.9%
Segment loss	(58,567)	(73,435)	-20.2%
Segment loss margin	-22.9%	-25.6%	+2.7pp
Inventory turnover (days) (Note)	316.3	330.8	-4.4%

Note: Inventory held at the period end divided by period cost of sales times 183 days

Sales of garments are the Group's principal business which is wholesaling and retailing of branded garments, leather goods and accessories. Total revenue of the segment declined by 10.9% to HK\$255,374,000 (2016: HK\$286,618,000). The segment recorded a loss of HK\$58,567,000 for the reporting period (2016: HK\$73,435,000). Inventory turnover decreased from 330.8 days for the previous period to 316.3 days.

Aquascutum apparel wholesale and retail business in the United Kingdom recorded a 16.8% decrease in term of GBP from the previous period in total revenue from external customers and a loss from operation.

Rental represents a considerably significant portion of the total retail operating costs and has continued to place downward pressure on the segment's profitability during the period, Hong Kong in particular. The Group is still absorbing the adverse impact of significant rent increases in past years in Hong Kong. The Group has closed a number of non-performing POSs in the reporting period. Furthermore, the Group is focused on managing costs and will remain prudent with regard to store network expansion.

Number of POSs by geographical locations

	Mainland											
	China		Hong Kong		Macau		Taiwan		Europe		Total	
	30 Sep 2017	31 Mar 2017	30 Sep 2017	31 Mar 2017	30 Sep 2017	31 Mar 2017	30 Sep 2017	31 Mar 2017	30 Sep 2017	31 Mar 2017	30 Sep 2017	31 Mar 2017
Aquascutum	77	87	8	8	2	4	24	26	6	7	117	132
Ashworth	31	32	13	12	5	5	4	5	-	-	53	54
J.Lindeberg	-	-	8	8	3	3	-	-	-	-	11	11
Harmont & Blaine	-	-	2	2	1	1	1	-	-	-	4	3
Michel Rene	-	1	-	-	-	-	-	-	-	-	-	1
Guy Laroche	-	-	-	-	-	-	-	-	1	1	1	1
Total	108	120	31	30	11	13	29	31	7	8	186	202

As at the end of September 2017, the Group has a distribution network of 186 POSs in our operating market which reduced by 16 POSs from the end of March 2017.

Licensing of Trademark

The Group owns the global intellectual property rights of Guy Laroche and Aquascutum. Total income of licensing of trademarks from external customers increased by 2.7% to HK\$34,400,000 (2016: HK\$33,504,000).

Other Business

Security printing business recorded a decline in revenue from external customers but an increase in segment profit from the previous period.

Property rental income from external customers increased from HK\$4,167,000 for the previous period to HK\$4,758,000.

HUMAN RESOURCES

As at 30 September 2017, the Group had approximately 1,000 employees (31 March 2017: 1,500). The Group offers competitive remuneration packages including medical subsidies and retirement scheme contributions to its employees in compensation for their contribution. In addition, discretionary bonuses and share options may also be granted to the eligible employees based on the Group's and individuals' performances.

OUTLOOK

The disposal of the "Aquascutum" brand and the intellectual property rights associated with the brand within the sales of garments and the licensing of trademarks segments was completed on 23 November 2017. The consideration in the aggregate amount of US\$117,000,000 (equivalent to approximately HK\$906,800,000) has been fully paid in cash by the Purchaser to the Company. The disposal will enable the Group to improve its financial and liquidity position and its cash flow, and provide further resources for the Group to grow its other businesses. The Board will review the Group's operations and financial position as well as the prevailing macro-economic condition from time to time, and formulate the uses of the net proceeds in such manners which will be in the best interest of the Company and the shareholders as a whole.

Since the signing of the sale and purchase agreement in respect of the disposal of Aquascutum, we had been looking into opportunities for investments in new brands. We have signed agreements for distribution of Harmont & Blaine and Tommy Bahamas respectively. Harmont & Blaine was launched in last year and three POSs were opened in March 2017 and one POS was opened in Taiwan in September. Tommy Bahamas was launched during the reporting period and one POS was opened in Shanghai in October 2017.

The retail market has stabilised in the last few months. However, shop rentals in the major malls have not fallen enough to reflect the drastic fall of the retail market in the last few years. We are therefore still cautious in opening new POS if we cannot source affordable rental properties.

INTERIM DIVIDEND

The Board has recommend the payment of an interim dividend of 20.0 HK cents (2016: Nil) per ordinary share for the six months ended 30 September 2017 to shareholders whose names appears on the register of members of the Company as at the close of business on 15 December 2017. The interim dividend will be despatched to shareholders on 22 December 2017.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 13 December 2017 to 15 December 2017, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by no later than 4:30 p.m. on 12 December 2017.

CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 September 2017, the Company has complied 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 directors' securities transactions on terms no less exacting than required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("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 its Securities Dealing Code throughout the period under review.

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 2017.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period ended 30 September 2017.

By Order of the Board
YGM TRADING LIMITED
Chan Wing Sun, Samuel
Chairman

Hong Kong, 29 November 2017

As at the date of this announcement the Board comprises seven executive Directors, namely Mr. Chan Wing Sun, Samuel, Madam Chan Suk Ling, Shirley, Mr. Fu Sing Yam, William, Mr. Andrew Chan, Mr. Chan Wing Fui, Peter, Mr. Chan Wing Kee and Mr. Chan Wing To, and four independent Non-executive Directors, namely Mr. Lin Keping, Mr. Sze Cho Cheung, Michael, Mr. Choi Ting Ki and Mr. So Stephen Hon Cheung.