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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 2019

The Board of Directors of YGM Trading Limited (“the Company”) hereby announces the unaudited interim results of the Company and its subsidiaries (together referred to as “the Group”) for the six months ended 30 September 2019 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

(Expressed in Hong Kong dollars unless otherwise indicated)

|  |       | Six months ended 30 September |                        |
|--|-------|-------------------------------|------------------------|
|  |       | 2019                          | 2018                   |
|  | Note  | \$'000                        | \$'000                 |
| <b>Revenue</b>                                 | 3 & 4 | <b>140,918</b>                | 169,398                |
| Cost of sales and direct costs                 |       | <u>(51,568)</u>               | <u>(57,467)</u>        |
| <b>Gross profit</b>                            |       | <b>89,350</b>                 | 111,931                |
| Other loss                                     |       | (6,816)                       | (6,391)                |
| Distribution costs                             |       | (86,557)                      | (111,201)              |
| Administrative expenses                        |       | (38,913)                      | (41,314)               |
| Other operating expenses                       |       | <u>(5,289)</u>                | <u>(933)</u>           |
| <b>Loss from operations</b>                    |       | <b>(48,225)</b>               | (47,908)               |
| Net gain on disposal of an investment property |       | -                             | 3,580                  |
| Finance costs                                  | 5(a)  | <u>(2,452)</u>                | <u>(39)</u>            |
| <b>Loss before taxation</b>                    | 5     | <b>(50,677)</b>               | (44,367)               |
| Income tax (expense)/credit                    | 6     | <u>(5,376)</u>                | <u>190</u>             |
| <b>Loss for the period</b>                     |       | <b><u>(56,053)</u></b>        | <b><u>(44,177)</u></b> |
| <b>Attributable to :</b>                       |       |                               |                        |
| Equity shareholders of the Company             |       | (55,345)                      | (43,994)               |
| Non-controlling interests                      |       | <u>(708)</u>                  | <u>(183)</u>           |
| <b>Loss for the period</b>                     |       | <b><u>(56,053)</u></b>        | <b><u>(44,177)</u></b> |
| <b>Loss per share</b>                          | 8     |                               |                        |
| <i>Basic</i>                                   |       | <u>(33.4 cents)</u>           | <u>(26.5 cents)</u>    |
| <i>Diluted</i>                                 |       | <u>N/A</u>                    | <u>N/A</u>             |

Note:

The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated.

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

*(Expressed in Hong Kong dollars unless otherwise indicated)*

|  | <b>Six months ended 30 September</b> |                        |
|--|--------------------------------------|------------------------|
|  | <b>2019</b>                          | 2018                   |
|  | <b>\$'000</b>                        | \$'000                 |
| <b>Loss for the period</b>   | <b>(56,053)</b>                      | (44,177)               |
| <b>Other comprehensive income for the period<br/>(after tax and reclassification adjustments):</b> |                                      |                        |
| Item that may be reclassified subsequently to profit or loss:                                      |                                      |                        |
| Exchange differences on translation of financial<br>statements of subsidiaries outside Hong Kong   | <u>(6,661)</u>                       | <u>(17,720)</u>        |
| <b>Other comprehensive income for the period</b>   | <u>(6,661)</u>                       | <u>(17,720)</u>        |
| <b>Total comprehensive income for the period</b>   | <u><u>(62,714)</u></u>               | <u><u>(61,897)</u></u> |
| <b>Attributable to :</b>   |                                      |                        |
| Equity shareholders of the Company   | (62,006)                             | (61,144)               |
| Non-controlling interests  | <u>(708)</u>                         | <u>(753)</u>           |
| <b>Total comprehensive income for the period</b>   | <u><u>(62,714)</u></u>               | <u><u>(61,897)</u></u> |

Note:

The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION – UNAUDITED

(Expressed in Hong Kong dollars unless otherwise indicated)

|  |      | 30 September<br>2019<br>\$'000 | 31 March<br>2019<br>\$'000 |
|--|------|--------------------------------|----------------------------|
|  | Note |                                |                            |
| <b>Non-current assets</b>  |      |                                |                            |
| Investment properties  |      | 278,184                        | 278,173                    |
| Other property, plant and equipment                                    |      | <u>103,598</u>                 | <u>21,477</u>              |
|  |      | <b>381,782</b>                 | <b>299,650</b>             |
| <b>Intangible assets</b>   |      |                                |                            |
| Lease premium  |      | 133,442                        | 102,050                    |
| Rental deposits  |      | 5,620                          | 5,764                      |
| Deferred tax assets  |      | <u>14,002</u>                  | <u>16,436</u>              |
|  |      | <b>20,041</b>                  | <b>25,607</b>              |
|  |      | <u>554,887</u>                 | <u>449,507</u>             |
| <b>Current assets</b>  |      |                                |                            |
| Trading securities   |      | 18,319                         | 18,310                     |
| Inventories  |      | 89,532                         | 79,700                     |
| Trade and other receivables  | 9    | 48,480                         | 50,353                     |
| Current tax recoverable  |      | 56                             | 214                        |
| Cash and cash equivalents  |      | <u>238,100</u>                 | <u>321,901</u>             |
|  |      | <b>394,487</b>                 | <b>470,478</b>             |
| <b>Current liabilities</b>   |      |                                |                            |
| Trade and other payables and contract liabilities                      | 10   | 107,718                        | 76,206                     |
| Bank overdrafts  |      | 6,771                          | 6,777                      |
| Current tax payable  |      | 1,349                          | 638                        |
| Lease liabilities  |      | 54,287                         | -                          |
| Provisions   | 11   | <u>120,497</u>                 | <u>130,289</u>             |
|  |      | <b>290,622</b>                 | <b>213,910</b>             |
| <b>Net current assets</b>  |      | <u>103,865</u>                 | <u>256,568</u>             |
| <b>Total assets less current liabilities</b>                           |      | <u>658,752</u>                 | <u>706,075</u>             |
| <b>Non-current liabilities</b>   |      |                                |                            |
| Deferred tax liabilities   |      | 1,040                          | 1,507                      |
| Lease liabilities  |      | <u>49,151</u>                  | <u>-</u>                   |
|  |      | <b>50,191</b>                  | <b>1,507</b>               |
| <b>NET ASSETS</b>  |      | <u>608,561</u>                 | <u>704,568</u>             |
| <b>CAPITAL AND RESERVES</b>  |      |                                |                            |
| Share capital  |      | 383,909                        | 383,909                    |
| Reserves   |      | <u>203,226</u>                 | <u>298,405</u>             |
| <b>Total equity attributable to equity shareholders of the Company</b> |      | <b>587,135</b>                 | <b>682,314</b>             |
| <b>Non-controlling interests</b>                                       |      | <u>21,426</u>                  | <u>22,254</u>              |
| <b>TOTAL EQUITY</b>  |      | <u>608,561</u>                 | <u>704,568</u>             |

Note:

The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated.

**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 28 November 2019.

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 2019, 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 2020. Details of these changes in accounting policies are set out in note 2.

The preparation of this 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.

This interim financial results contain consolidated statement of financial position as at 30 September 2019 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 2019. 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 2019 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) (the “Companies Ordinance”) is as follows:

The Company has delivered the financial statements for the year ended 31 March 2019 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 2019. 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 a new HKFRS and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. Except for HKFRS 16, *Leases*, none of the 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 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.

**HKFRS 16, *Leases***

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less (“short-term leases”) and leases of low value assets.

The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 April 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

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

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 April 2019. For contracts entered into before 1 April 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16.

(ii) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except for the right-of-use assets that meet the definition of investment property are carried at fair value.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount

of the right-of-use asset has been reduced to zero.

(iii) Leasehold investment property

Under HKFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and / or for capital appreciation (“leasehold investment properties”). The adoption of HKFRS 16 does not have a significant impact on the Group’s financial statements as the Group previously elected to apply HKAS 40, *Investment properties*, to account for all of its leasehold properties that were held for investment purposes as at 31 March 2019. Consequentially, these leasehold investment properties continue to be carried at fair value.

(iv) Lessor accounting

In addition to leasing out the investment property referred to the paragraph above, the Group leases out a number of items of machinery as the lessor of operating leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

Under HKFRS 16, when the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. The adoption of HKFRS 16 does not have a significant impact on the Group’s financial statements in this regard.

(b) Transitional impact

At the date of transition to HKFRS 16 (i.e. 1 April 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 April 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 4.0%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

- (i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 March 2020;
- (ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and
- (iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 March 2019 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as disclosed as at 31 March 2019 to the opening balance for lease liabilities recognised as at 1 April 2019:

|  |                |
|--|----------------|
|  | \$'000         |
| Operating lease commitments at 31 March 2019   | 210,305        |
| Less: Commitments relating to leases exempt from capitalisation:                                 |                |
| - short term leases and other leases with remaining lease term ending on or before 31 March 2020 | (34,604)       |
| Less: Total future interest expenses   | (72,801)       |
| Total lease liabilities recognised at 1 April 2019   | <u>102,900</u> |

### 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 presented the following four reportable segments. No operating segments have been aggregated to form the following reportable segments:

- Sales of garments: the wholesale and retail of garments.
- Licensing of trademarks: the management and licensing of trademarks for royalty income.
- Printing and related services: the provision of security printing 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:

|   | Sales of garments |                 | Licensing of trademarks |                | Printing and related services |               | Property rental |                | Total            |                 |
|---|-------------------|-----------------|-------------------------|----------------|-------------------------------|---------------|-----------------|----------------|------------------|-----------------|
|   | 2019              | 2018            | 2019                    | 2018           | 2019                          | 2018          | 2019            | 2018           | 2019             | 2018            |
| For the six months ended                                  | \$'000            | \$'000          | \$'000                  | \$'000         | \$'000                        | \$'000        | \$'000          | \$'000         | \$'000           | \$'000          |
| Revenue from external customers                           | 105,533           | 129,436         | 12,492                  | 14,849         | 17,632                        | 15,948        | 5,261           | 9,165          | 140,918          | 169,398         |
| Inter-segment revenue                                     | -                 | -               | -                       | 249            | 124                           | 158           | 1,200           | 1,739          | 1,324            | 2,146           |
| <b>Reportable segment revenue</b>                         | <b>105,533</b>    | <b>129,436</b>  | <b>12,492</b>           | <b>15,098</b>  | <b>17,756</b>                 | <b>16,106</b> | <b>6,461</b>    | <b>10,904</b>  | <b>142,242</b>   | <b>171,544</b>  |
| <b>Reportable segment (loss)/profit (adjusted EBITDA)</b> | <b>(3,656)</b>    | <b>(35,883)</b> | <b>(3,538)</b>          | <b>(1,388)</b> | <b>3,393</b>                  | <b>1,937</b>  | <b>2,652</b>    | <b>9,300</b>   | <b>(1,149)</b>   | <b>(26,034)</b> |
| As at 30 September / 31 March                             |                   |                 |                         |                |                               |               |                 |                |                  |                 |
| <b>Reportable segment assets</b>                          | <b>555,145</b>    | <b>398,688</b>  | <b>154,306</b>          | <b>123,079</b> | <b>21,490</b>                 | <b>22,199</b> | <b>281,069</b>  | <b>282,217</b> | <b>1,012,010</b> | <b>826,183</b>  |
| <b>Reportable segment liabilities</b>                     | <b>505,428</b>    | <b>451,823</b>  | <b>24,022</b>           | <b>22,045</b>  | <b>3,619</b>                  | <b>3,646</b>  | <b>14,288</b>   | <b>1,863</b>   | <b>547,357</b>   | <b>479,377</b>  |

Note:

The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Using this approach, comparative information is not restated.

The measure used for reporting segment loss or profit is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation 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 |                        |
|--|-------------------------------|------------------------|
|  | 2019                          | 2018                   |
|  | \$'000                        | \$'000                 |
| Reportable segment loss  | (1,149)                       | (26,034)               |
| Elimination of inter-segment profits                                   | <u>(1,194)</u>                | <u>(1,503)</u>         |
| Reportable segment loss derived from<br>the Group's external customers | (2,343)                       | (27,537)               |
| Other income   | 1,402                         | 609                    |
| Depreciation   | (36,110)                      | (6,873)                |
| Net gain on disposal of an investment property                         | -                             | 3,580                  |
| Finance costs  | (2,452)                       | (39)                   |
| Unallocated head office and corporate expenses                         | <u>(11,174)</u>               | <u>(14,107)</u>        |
| Consolidated loss before taxation                                      | <u><u>(50,677)</u></u>        | <u><u>(44,367)</u></u> |

Note:

The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated.

#### 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 2019, the sales of garments division reported reportable segment revenue of \$257,457,000 (twelve months ended 30 September 2018: \$345,231,000) and reportable segment loss of \$35,747,000 (twelve months ended 30 September 2018: \$63,517,000).

#### 5. Loss before taxation

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

|  | Six months ended 30 September |                  |
|--|-------------------------------|------------------|
|  | 2019                          | 2018             |
|  | \$'000                        | \$'000           |
| (a) Finance costs                                      |                               |                  |
| Interest on bank overdrafts                            | 38                            | 39               |
| Interest on lease liabilities                          | <u>2,414</u>                  | <u>-</u>         |
|  | <u><u>2,452</u></u>           | <u><u>39</u></u> |
| (b) Other items  |                               |                  |
| Depreciation   |                               |                  |
| - other property, plant and equipment                  | 5,896                         | 6,873            |
| - right-of-use assets                                  | 30,214                        | -                |
| Inventories write-down and losses net of reversals     | 1,464                         | 1,243            |
| Net exchange loss                                      | 10,147                        | 8,712            |
| Net realised and unrealised gain on trading securities | (9)                           | (38)             |
| Interest income  | <u>(1,642)</u>                | <u>(1,630)</u>   |

## 6. Income tax expense/(credit)

|                                     | Six months ended 30 September |              |
|-------------------------------------|-------------------------------|--------------|
|                                     | 2019                          | 2018         |
|                                     | \$'000                        | \$'000       |
| Current tax - Hong Kong Profits Tax | 729                           | 465          |
| Current tax - Outside Hong Kong     | -                             | 416          |
| Deferred taxation                   | 4,647                         | (1,071)      |
|                                     | <u>5,376</u>                  | <u>(190)</u> |

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2018: 16.5%) to the six months ended 30 September 2019.

Taxation for overseas subsidiaries 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 |               |
|---|-------------------------------|---------------|
|   | 2019                          | 2018          |
|   | \$'000                        | \$'000        |
| Interim dividend declared after the interim period of<br>10.0 cents (2018: 20.0 cents) per ordinary share | <u>16,586</u>                 | <u>33,173</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 20.0 HK cents per ordinary share in respect of the year ended 31 March 2019 amounted to \$33,173,000 was proposed by the directors on 24 June 2019 and was approved in the Company's Annual General Meeting on 18 September 2019. The dividends were paid on 4 October 2019.

Final dividends of 50.0 HK cents per ordinary share in respect of the year ended 31 March 2018 amounted to \$82,932,000 was proposed by the directors on 27 June 2018 and was approved in the Company's Annual General Meeting on 3 September 2018. The dividends were paid on 21 September 2018.

## 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 \$55,345,000 (six months ended 30 September 2018: \$43,994,000) and the weighted average of 165,864,000 ordinary shares (2018: 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 2019 and 2018. 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 (net of loss allowance) based on the invoice date is as follows:

|   | <b>30 September</b> | 31 March      |
|---|---------------------|---------------|
|   | <b>2019</b>         | 2019          |
|   | <b>\$'000</b>       | <b>\$'000</b> |
| Within 1 month                              | <b>16,168</b>       | 19,213        |
| Over 1 month but within 2 months            | <b>785</b>          | 1,429         |
| Over 2 months but within 3 months           | <b>653</b>          | 1,997         |
| Over 3 months but within 12 months          | <b>1,342</b>        | 2,649         |
| Over 12 months                              | <b>3,394</b>        | 402           |
| Trade debtors, net of loss allowance        | <b>22,342</b>       | 25,690        |
| Deposits, prepayments and other receivables | <b>25,287</b>       | 23,913        |
| Amounts due from related companies          | <b>101</b>          | -             |
| Club memberships                            | <b>750</b>          | 750           |
|   | <b>48,480</b>       | 50,353        |

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 and contract liabilities

As of the end of the reporting period, the ageing analysis of trade creditors and bills payable based on the invoice date is as follows:

|                                    | <b>30 September</b> | 31 March      |
|------------------------------------|---------------------|---------------|
|                                    | <b>2019</b>         | 2019          |
|                                    | <b>\$'000</b>       | <b>\$'000</b> |
| <b>Trade and other payables</b>    |                     |               |
| Within 1 month                     | <b>20,648</b>       | 18,136        |
| Over 1 month but within 3 months   | <b>6,615</b>        | 2,969         |
| Over 3 months but within 6 months  | <b>1,543</b>        | 452           |
| Over 6 months                      | <b>1,326</b>        | 1,125         |
| Trade creditors and bills payable  | <b>30,132</b>       | 22,682        |
| Other payables and accrued charges | <b>40,770</b>       | 46,506        |
| Dividend payable                   | <b>33,173</b>       | -             |
| Amounts due to related companies   | <b>177</b>          | 1,991         |
|                                    | <b>104,252</b>      | 71,179        |
| <b>Contract liabilities</b>        |                     |               |
| Receipts in advance                | <b>3,466</b>        | 5,027         |
|                                    | <b>107,718</b>      | 76,206        |

## 11. Provisions

|   | Potential<br>PRC customs<br>duties and<br>indemnity<br>liabilities<br>(Note (i))<br>\$'000 | Onerous<br>contracts<br>(Note (ii))<br>\$'000 | Total<br>\$'000 |
|---|--|---|-----------------|
| At 1 April 2018                           | 120,266  | -   | 120,266         |
| Provision made                            | -  | 10,600  | 10,600          |
| Provisions utilised                       | (1,418)  | -   | (1,418)         |
| Exchange adjustments                      | 841  | -   | 841             |
| At 31 March 2019                          | 119,689  | 10,600  | 130,289         |
| Impact on initial application of HKFRS 16 | -  | (10,600)                                      | (10,600)        |
| Adjusted balance at 1 April 2019          | 119,689  | -   | 119,689         |
| Provisions utilised                       | (102)  | -   | (102)           |
| Exchange adjustments                      | 910  | -   | 910             |
| At 30 September 2019                      | 120,497  | -   | 120,497         |

- (i) During the year ended 31 March 2013, Gongbei Customs District of the General Administration of Customs, PRC (“Gongbei Customs”) initiated a field audit on a subsidiary of the Group in respect of its import of Aquascutum products to Mainland China.

According to the disposal agreement dated 28 February 2017 entered into between the Company and the purchaser of Aquascutum Holdings Limited (the “Purchaser”), a contractual indemnity was provided by the Group to the Purchaser for a period from the completion date of the disposal of Aquascutum Holdings Limited of 23 November 2017 to 22 May 2019 except for potential claims, if any, in relation to taxes and levies arising from Aquascutum Holdings Limited and its subsidiaries which will be up to 22 November 2024.

During the six months ended 30 September 2019, there was no further development in connection with the demand and settlement of the potential PRC customs duties and the contractual indemnity. Therefore, the management considered that it is appropriate to maintain the provision for potential PRC customs duties and indemnity liabilities.

- (ii) The provision was made for onerous contracts for certain stores of the Hong Kong operation. Under these contracts, the unavoidable cost of meeting the obligations have exceeded the economic benefits expected to be derived from the sales generated by these stores. The provision for onerous contracts was recognised in “distribution costs” for the year ended 31 March 2019. The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated.

## MANAGEMENT DISCUSSION AND ANALYSIS

### RECENT DEVELOPMENTS

In the period under review, the global economic environment was prevailing with uncertainties. It is mainly attributed to the failure of the Sino-US Trade Negotiations. Furthermore, Hong Kong had to deal with social disturbances from June 2019 onward arising from the controversial Extradition Law Amendment Bill. Business environment was hurt especially in the local retail sector.

On 4 September 2019, YGM Retail Limited (“YGM Retail”), a wholly-owned subsidiary of the Company, entered into an intellectual property assets purchase agreement with an independent third party (“the Seller”) for the purchase of the trademarks and certain related intellectual property assets worldwide associated with the “Ashworth” brand (including the contractual rights and benefits of the Seller under the existing licensing and distribution agreement between the Seller and YGM Retail) at a cash consideration of US\$4,000,000 (equivalent

to approximately HK\$31,392,000) (the “Acquisition”). It was completed on 9 September 2019.

## **RESULTS OF THE GROUP’S OPERATIONS**

The Group’s revenue for the period dropped by 16.8% to HK\$140,918,000 (2018: HK\$169,398,000). Overall gross profit margin was 63.4% (2018: 66.1%). Total operating expenses for the period dropped by 14.8% to HK\$130,759,000 (2018: HK\$153,448,000). Thus, the Group recorded a loss for the period of HK\$56,053,000 (2018: HK\$44,177,000) including write off of deferred tax assets of HK\$5,219,000. A net gain on disposal of an investment property of HK\$3,580,000 was recognised in last period.

Net cash of HK\$44,066,000 (2018: HK\$31,541,000) was used in operations for the period. Inventories as at the end of the period increased to HK\$89,532,000 from HK\$79,700,000 as at 31 March 2019. Current ratio decreased to 1.4 (31 March 2019: 2.2).

As at 30 September 2019, the Group had cash and bank deposits net of bank overdrafts of HK\$231,329,000 (31 March 2019: HK\$315,124,000), a decrease of HK\$83,795,000 after the payment for the purchase of the trademarks and certain related intellectual property assets worldwide associated with the “Ashworth” brand of HK\$31,392,000. At 30 September 2019, the Group held trading securities at fair value of HK\$18,319,000 (31 March 2019: HK\$18,310,000).

During the period, the Group spent approximately HK\$8,242,000 in additions and replacement of other property, plant and equipment, compared to HK\$8,891,000 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 2019 were HK\$608,561,000 (31 March 2019: HK\$704,568,000). The Group’s gearing ratio at the end of the reporting period was 0.012 (31 March 2019: 0.010) which was calculated based on total borrowings of HK\$6,771,000 (31 March 2019: HK\$6,777,000) and shareholders’ equity of HK\$587,135,000 (31 March 2019: HK\$682,314,000). 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, 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**

Total sales of garments, which is the Group’s core business, declined by 18.5% to HK\$105,533,000 (2018: HK\$129,436,000). The segment recorded a loss for the period. Inventory turnover increased from 277.3 days for the year ended 31 March 2019 to 391.3 days. As at the end of September 2019, the Group has a distribution network of 86 point of sales (“POSs”) in the Group’s operating market comprising 42 POSs in Hong Kong, 5 POSs in Macau, 28 POSs in Mainland China, 10 POSs in Taiwan and 1 POS in Paris. A net increase of 7 POSs in total POSs from the end of March 2019. The Group will remain prudent with regard to store network expansion.

The Group owns the global intellectual property rights of Guy Laroche. Total licensing of trademarks income was HK\$12,492,000 (2018: HK\$14,849,000). The segment recorded a loss for the period.

Total revenue from security printing grew to HK\$17,632,000 (2018: HK\$15,948,000) and segment profit increased to HK\$3,393,000 (2018: HK\$1,937,000).

Total rental income decreased which was mainly due to disposal of certain investment properties in the second half of last year.

## **HUMAN RESOURCES**

As at 30 September 2019, the Group had approximately 500 employees (31 March 2019: 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 may also be granted to the eligible employees based on the Group's and individuals' performances.

## **OUTLOOK**

The six months period from April to September started with an improved retail environment in Hong Kong which deteriorate quickly from June onward due to social disturbances arising from the controversial Extradition Law Amendment Bill. The Group recorded a 16.8% drop in revenue and a 26.9% increase in losses which, however, some of the losses is not cash related as it is write-off of deferred tax assets. At the date of this interim report, the Group encountered even worse retail environment in Hong Kong and the Group need to assess the viability of Hong Kong retail environment. On a better note the Group had completed the purchase of the trademarks and certain related intellectual property assets worldwide associated with the "Ashworth" brand and are in the process formulating plans to expand this brand on a worldwide basis. Furthermore, the Group is healthy in cash position.

## **INTERIM DIVIDEND**

The Board has recommended the payment of an interim dividend of 10.0 HK cents (2018: 20.0 HK cents) per ordinary share for the six months ended 30 September 2019 to shareholders whose names appear on the register of members of the Company as at the close of business on 20 December 2019. The interim dividend will be despatched to shareholders on or around 3 January 2020.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 18 December 2019 to 20 December 2019, 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 17<sup>th</sup> Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by no later than 4:30 p.m. on 17 December 2019.

## **CORPORATE GOVERNANCE PRACTICES**

In the opinion of the Board, the Company has complied throughout the six months ended 30 September 2019 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 (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 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 six months ended 30 September 2019.

## **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 six months ended 30 September 2019.

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

Hong Kong, 28 November 2019

*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. Choi Ting Ki, Mr. So Stephen Hon Cheung and Mr. Li Guangming.*