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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 2021

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 2021 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)

	Note	Six months ended 30 September	
		2021 \$'000	2020 \$'000
Revenue	3 & 4	102,974	90,386
Cost of sales and direct costs		<u>(38,823)</u>	<u>(45,955)</u>
Gross profit		64,151	44,431
Other net income		172	15,110
Distribution costs		(49,592)	(42,102)
Administrative expenses		(26,805)	(30,222)
Other operating expenses		<u>(2,354)</u>	<u>(2,422)</u>
Loss from operations		(14,428)	(15,205)
Net gain on disposal of investment properties	9(a)	30	-
Finance costs	5(a)	<u>(1,242)</u>	<u>(1,570)</u>
Loss before taxation	5	(15,640)	(16,775)
Income tax	6	239	(713)
Loss for the period		<u>(15,401)</u>	<u>(17,488)</u>
Attributable to :			
Equity shareholders of the Company		(14,720)	(16,568)
Non-controlling interests		<u>(681)</u>	<u>(920)</u>
Loss for the period		<u>(15,401)</u>	<u>(17,488)</u>
Loss per share	8		
Basic and diluted		<u>(8.9 cents)</u>	<u>(10.0 cents)</u>

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

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

(Expressed in Hong Kong dollars)

	Six months ended 30 September	
	2021	2020
	\$'000	\$'000
Loss for the period	(15,401)	(17,488)
Other comprehensive income for the period (after tax and reclassification adjustments)		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	<u>(2,555)</u>	<u>3,056</u>
Other comprehensive income for the period	<u>(2,555)</u>	<u>3,056</u>
Total comprehensive income for the period	<u>(17,956)</u>	<u>(14,432)</u>
Attributable to :		
Equity shareholders of the Company	<u>(17,534)</u>	<u>(13,512)</u>
Non-controlling interests	<u>(422)</u>	<u>(920)</u>
Total comprehensive income for the period	<u>(17,956)</u>	<u>(14,432)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – UNAUDITED

(Expressed in Hong Kong dollars)

		30 September	31 March
		2021	2021
	Note	<i>\$'000</i>	<i>\$'000</i>
Non-current assets			
Investment properties	9	177,565	265,024
Other property, plant and equipment		<u>55,760</u>	<u>48,532</u>
		233,325	313,556
Intangible assets		133,442	133,442
Rental deposits		3,886	7,950
Deferred tax assets		<u>274</u>	<u>243</u>
		<u>370,927</u>	<u>455,191</u>
Current assets			
Trading securities		17,101	16,475
Inventories		38,998	35,443
Investment properties held for sale	9(b)	32,100	-
Trade and other receivables	10	46,046	40,476
Current tax recoverable		496	654
Cash and cash equivalents		<u>157,118</u>	<u>142,423</u>
		<u>291,859</u>	<u>235,471</u>
Current liabilities			
Bank overdrafts		8,029	8,864
Trade and other payables and contract liabilities	11	43,570	37,579
Lease liabilities		35,499	39,766
Dividends payable	7	16,586	-
Current tax payable		797	602
Provisions	12	<u>9,570</u>	<u>9,570</u>
		<u>114,051</u>	<u>96,381</u>
Net current assets		<u>177,808</u>	<u>139,090</u>
Total assets less current liabilities		<u>548,735</u>	<u>594,281</u>
Non-current liabilities			
Lease liabilities		33,673	33,990
Deferred tax liabilities		<u>900</u>	<u>1,363</u>
		<u>34,573</u>	<u>35,353</u>
NET ASSETS		<u>514,162</u>	<u>558,928</u>
CAPITAL AND RESERVES			
Share capital		383,909	383,909
Reserves		<u>120,857</u>	<u>154,977</u>
Total equity attributable to equity shareholders of the Company		<u>504,766</u>	<u>538,886</u>
Non-controlling interests		<u>9,396</u>	<u>20,042</u>
TOTAL EQUITY		<u>514,162</u>	<u>558,928</u>

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 2021.

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 2021, 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 2022. 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 and 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 2021 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 2021. 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 2021 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 2021 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 2021. 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 number of 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 report.

The Group has not applied any new standard or interpretation issued by HKICPA 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 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	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
For the six months ended										
Revenue from external customers	74,862	63,724	8,808	7,669	16,455	15,554	2,849	3,439	102,974	90,386
Inter-segment revenue	-	-	2,127	2,100	80	62	1,212	1,212	3,419	3,374
Reportable segment revenue	74,862	63,724	10,935	9,769	16,535	15,616	4,061	4,651	106,393	93,760
Reportable segment (loss)/profit (adjusted EBITDA)	(3,108)	(4,872)	2,526	626	3,416	4,537	2,712	320	5,546	611
As at 30 September / 31 March										
Reportable segment assets	489,118	462,114	138,726	147,764	15,281	22,604	223,098	251,815	866,223	884,297
Reportable segment liabilities	457,549	448,649	11,326	19,726	5,556	7,166	19,295	14,653	493,726	490,194

The measure used for reporting segment profit or loss 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 earnings/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	
	2021 \$'000	2020 \$'000
Reportable segment profit	5,546	611
Elimination of inter-segment profits	(1,912)	(1,400)
Reportable segment profit/(loss) derived from the Group's external customers	3,634	(789)
Other net income/(loss)	94	(292)
Depreciation	(17,060)	(17,146)
Net gain on disposal of investment properties	30	-
Finance costs	(1,242)	(1,570)
Unallocated head office and corporate (expenses)/income	(1,096)	3,022
Consolidated loss before taxation	(15,640)	(16,775)

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 2021, the sales of garments division reported reportable segment revenue of \$171,540,000 (twelve months ended 30 September 2020: \$159,741,000) and reportable segment profit of \$23,835,000 (twelve months ended 30 September 2020: reportable segment loss of \$33,170,000).

5. Loss before taxation

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

	Six months ended 30 September	
	2021	2020
	\$'000	\$'000
<i>(a) Finance costs</i>		
Interest expense on bank overdrafts	105	74
Interest on lease liabilities	1,137	1,496
	<u>1,242</u>	<u>1,570</u>
<i>(b) Other items</i>		
Depreciation		
- owned property, plant and equipment	2,080	1,829
- right-of-use assets	14,980	15,317
Inventories write-down and losses net of reversals	(3,665)	5,813
Net exchange loss/(gain)	635	(4,604)
Net realised and unrealised gain on trading securities	(15)	(36)
Government subsidy income (note)	-	(10,120)
Interest income	(90)	(324)
	<u>(90)</u>	<u>(324)</u>

Note : During the six months ended 30 September 2020, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Hong Kong Government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

6. Income tax

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

	Six months ended 30 September	
	2021	2020
	\$'000	\$'000
Current tax - Hong Kong Profits Tax	237	549
Current tax - Outside Hong Kong	19	-
Deferred taxation	(495)	164
	<u>(239)</u>	<u>713</u>

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2020: 16.5%) to the six months ended 30 September 2021.

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	
	2021	2020
	\$'000	\$'000
Interim dividend declared after the interim period of 10.0 cents (2020: nil) per ordinary share	<u>16,586</u>	<u>-</u>

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

Final dividend of 10.0 cents per ordinary share in respect of the year ended 31 March 2021 amounted to \$16,586,000 was proposed by the directors on 29 June 2021 and was approved in the Company's Annual General Meeting on 17 September 2021. The dividends were paid on 18 October 2021.

No final dividend in respect of the year ended 31 March 2020 was proposed by the directors.

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 \$14,720,000 (six months ended 30 September 2020: \$16,568,000) and the weighted average of 165,864,000 ordinary shares (2020: 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 2021 and 2020. Accordingly, the diluted loss per share is the same as basic loss per share.

9. Investment Properties

The directors are of the opinion that no professional valuation is necessary in respect of the Group's investment properties as at 30 September 2021. However, the directors have considered that the fair values of the investment properties as at 30 September 2021 would not be materially different from the professional valuation made as at 31 March 2021 and, accordingly, no valuation gain or loss has been recognised in the current period.

During the period ended 30 September 2021, disposals of the Group's investment properties are as below:

- (a) A non-wholly owned subsidiary of the Group sold investment properties, an industrial premise, in Hong Kong to an independent third party at a cash consideration of \$52,000,000 and thus recorded a net gain on disposal of \$30,000 after expenses of \$520,000.
- (b) A non-wholly owned subsidiary of the Group entered into two sales and purchase agreements with independent third parties on 3 August 2021 and 9 September 2021 respectively to sell certain investment properties, industrial premises, in Hong Kong at a total cash consideration of \$45,865,000 and accordingly, these investment properties is reclassified as investment properties held for sale.

As at 30 September 2021, deposits of \$4,587,000 had been received and included in trade and other payable and contract liabilities. One transaction was completed on 29 October 2021 and the other one is expected to be completed on or before 1 December 2021.

10. 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:

	30 September	31 March
	2021	2021
	<i>\$'000</i>	<i>\$'000</i>
Within 1 month	13,130	12,315
Over 1 month but within 2 months	1,333	1,408
Over 2 months but within 3 months	455	1,003
Over 3 months but within 12 months	1,532	665
Over 12 months	4	-
Trade debtors, net of loss allowance	16,454	15,391
Deposits, prepayments and other receivables	29,592	25,085
	46,046	40,476

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.

11. 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:

	30 September	31 March
	2021	2021
	<i>\$'000</i>	<i>\$'000</i>
Trade and other payables		
Within 1 month	10,595	5,259
Over 1 month but within 3 months	2,184	1,728
Over 3 months but within 6 months	778	275
Over 6 months	4	102
Trade creditors and bills payable	13,561	7,364
Other payables and accrued charges	24,417	27,500
Amounts due to related companies	287	184
	38,265	35,048
Contract liabilities		
Receipts in advance	5,305	2,531
	43,570	37,579

12. Provisions

	Provision for claim \$'000
Balances at 31 March 2021, 1 April 2021 and 30 September 2021	<u>9,570</u>

Upon the disposal of Aquascutum Holdings Limited to an independent third party (the “Purchaser”) during the year ended 31 March 2018, the tenancy agreement (“Tenancy Agreement”) of retail stores in Macau was also assigned to a subsidiary of the Purchaser (“Defendant”). During the year ended 31 March 2021, the landlord of retail stores in Macau filed a declaratory judgement action in the form of an ordinary lawsuit against the Defendant and a subsidiary of the Group which was the guarantor of the Tenancy Agreement demanding for unpaid rent and other fees and compensation for damages and losses amounting to a total of MOP9,857,060 (equivalent to \$9,570,000). Due to the uncertain outcome of this court proceeding, a provision for claims of \$9,570,000 was made in the consolidated financial statements accordingly during the year ended 31 March 2021.

INTERIM DIVIDEND

The Board has recommended the payment of an interim dividend of 10.0 HK cents (2020: nil) per ordinary share for the six months ended 30 September 2021 to shareholders whose names appear on the register of members of the Company as at the close of business on 21 December 2021. The interim dividend will be despatched to shareholders on or around 4 January 2022.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 17 December 2021 to 21 December 2021, 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 16 December 2021.

BUSINESS REVIEW AND PROSPECTS

The Group’s revenue for the period increased by 13.9% to HK\$102,974,000 (2020: HK\$90,386,000). Major attribute was 17.5% increase in wholesale and retail of branded garments, the Group’s core business, in line with the recovery of the economy after the outbreak of the COVID-19 pandemic (the “Pandemic”) in late January 2020. There is some improvement in business environment in Mainland China. The Group aims to expand our Ashworth operation in Mainland China but the expansion is slower than expected due to limit of travel by our executives between Hong Kong and Mainland China during the Pandemic.

As at the end of September 2021, the Group has a distribution network of 87 POSs comprising 36 POSs in Hong Kong, 5 POSs in Macau, 40 POSs in Mainland China and 6 POSs in Taiwan. The Group will remain prudent with regard to the store network expansion.

The Group owns the global intellectual property rights of Guy Laroche. Guy Laroche in Europe still suffered greatly from the Pandemic. Total licensing of trademarks income was HK\$8,808,000 (2020: HK\$7,669,000). The management kept cost cutting there.

Total revenue from security printing increased by 5.8% to HK\$16,455,000 (2020: HK\$15,554,000).

Total rental income from outsiders decreased to HK\$2,849,000 (2020: HK\$3,439,000) because certain investment properties were vacate during the period. On the other hand, the disposal of an investment property at Yau Tong, Kowloon, Hong Kong at a cash consideration of HK\$52,000,000 was completed on 23 June 2021 and a net gain on disposal of HK\$30,000 was recorded after expense of HK\$520,000. The Group has disposed of all industrial premises for rental in Hong Kong, with the cash earmarked for general working of the Group, in particular, Ashworth expansion. Remaining properties include an office building for rental in London and an industrial building in Hong Kong occupied by our security printing section. We expect rental income to be less than previous period.

Overall gross profit margin raised to 62.3% (2020: 49.2%). We had modified our discount and promotion policies to match the needs of local customers under the recovering market situation. The Group's loss from operations improved to HK\$14,428,000 from HK\$15,205,000 for last year same period resulted from the improved gross profit margin and our prolonged cost control measures. However, this year we will not have subsidies from the Hong Kong government and with the Pandemic still serious in Hong Kong and Mainland China, it is still difficult to forecast return to profit yet.

The management still anticipates a challenging operating environment in the second half of the year in view of the Pandemic and the uncertainty arising from the Sino-US relationship. Thus, cash management is of essence for long term sustainability through stringent cost control and sound working capital discipline.

LIQUIDITY AND 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.

As at 30 September 2021, the Group had cash and bank deposits net of bank overdrafts of HK\$149,089,000 (31 March 2021: HK\$133,559,000) and held trading securities at fair value of HK\$17,101,000 (31 March 2021: HK\$16,475,000).

During the period, the Group spent approximately HK\$2,842,000 in additions and replacement of owned property, plant and equipment, compared to HK\$246,000 for the last year same period.

The Group's net assets as at 30 September 2021 were HK\$514,162,000 (31 March 2021: HK\$558,928,000). The Group's gearing ratio at the end of the reporting period was 0.153 (31 March 2021: 0.153) which was calculated based on total borrowings of HK\$8,029,000 (31 March 2021: HK\$8,864,000) and lease liabilities of HK\$69,172,000 (31 March 2021: HK\$73,756,000) and shareholders' equity of HK\$504,766,000 (31 March 2021: HK\$538,886,000). 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 and Renminbi Yuan. To manage currency risks, non Hong Kong Dollar assets are financed primarily by matching local currency debts as far as possible.

EMPLOYMENT AND REMUNERATION POLICIES

As at 30 September 2021, the Group had approximately 390 employees. 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.

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 six months ended 30 September 2021.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rules 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 unaudited interim financial statements of the Group for the six months ended 30 September 2021.

CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2021, 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.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

The results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.ygmtrading.com under "Results Announcement". The interim report for the six months ended 30 September 2021 will be dispatched to the shareholders and published on the above websites in due course.

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

Hong Kong, 29 November 2021

As at the date of this announcement the Board comprises six 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 and Mr. Chan Wing Kee, and three independent Non-executive Directors, namely Mr. Choi Ting Ki, Mr. So Stephen Hon Cheung and Mr. Li Guangming.