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YGM TRADING LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00375)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

The board of directors (the “Board”) 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 2023 as follows. The interim results have not been audited, but have been reviewed by the Company’s audit committee (the “Audit Committee”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS – UNAUDITED

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 September	
		2023 \$'000	2022 \$'000
Revenue	3 & 4	106,574	87,292
Cost of sales and direct costs		<u>(30,061)</u>	<u>(28,908)</u>
Gross profit		76,513	58,384
Other net loss		(1,669)	(6,668)
Distribution costs		(55,388)	(51,356)
Administrative and other operating expenses		<u>(25,294)</u>	<u>(23,697)</u>
Loss from operations		(5,838)	(23,337)
Finance costs	5(a)	<u>(1,734)</u>	<u>(1,066)</u>
Loss before taxation	5	(7,572)	(24,403)
Income tax expenses	6	<u>(362)</u>	<u>(29)</u>
Loss for the period		<u>(7,934)</u>	<u>(24,432)</u>
Attributable to :			
Equity shareholders of the Company		(7,431)	(23,890)
Non-controlling interests		<u>(503)</u>	<u>(542)</u>
Loss for the period		<u>(7,934)</u>	<u>(24,432)</u>
Loss per share	8		
Basic and diluted		<u>(4.5 cents)</u>	<u>(14.4 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	
	2023	2022
	\$'000	\$'000
Loss for the period	(7,934)	(24,432)
Other comprehensive income for the period (after tax and reclassification adjustment of \$Nil)		
<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>(958)</u>	<u>(20,324)</u>
Other comprehensive income for the period	<u>(958)</u>	<u>(20,324)</u>
Total comprehensive income for the period	<u>(8,892)</u>	<u>(44,756)</u>
Attributable to :		
Equity shareholders of the Company	(8,206)	(43,441)
Non-controlling interests	<u>(686)</u>	<u>(1,315)</u>
Total comprehensive income for the period	<u>(8,892)</u>	<u>(44,756)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – UNAUDITED

(Expressed in Hong Kong dollars)

	Note	30 September 2023 \$'000	31 March 2023 \$'000
Non-current assets			
Investment properties	9	183,087	186,345
Other property, plant and equipment		71,671	57,270
		254,758	243,615
Intangible assets		133,442	133,442
Rental deposits		8,095	7,346
Deferred tax assets		82	121
		396,377	384,524
Current assets			
Trading securities		10,265	10,610
Inventories		44,943	33,532
Trade and other receivables	10	34,276	37,023
Current tax recoverable		251	318
Cash and cash equivalents		108,832	118,120
		198,567	199,603
Current liabilities			
Bank overdrafts		-	4
Trade and other payables and contract liabilities	11	47,519	42,510
Lease liabilities		32,651	25,924
Dividends payable	7	16,586	-
Current tax payable		406	5
		97,162	68,443
Net current assets		101,405	131,160
Total assets less current liabilities		497,782	515,684
Non-current liabilities			
Lease liabilities		44,781	37,133
Deferred tax liabilities		862	934
		45,643	38,067
NET ASSETS		452,139	477,617
CAPITAL AND RESERVES			
Share capital		383,909	383,909
Reserves		61,723	86,515
Total equity attributable to equity shareholders of the Company		445,632	470,424
Non-controlling interests		6,507	7,193
TOTAL EQUITY		452,139	477,617

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”)(“Listing Rules”), 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 2023.

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 2023, 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 2024. 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 2023 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 2023. 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 2023 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 2023 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 2023. 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

(a) Segment results, assets and liabilities

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: wholesaling and retailing of garments.
- Licensing of trademarks: management and licensing of trademarks for royalty income.
- Printing and related services: provision of security printing and sale of printed products.
- Property rental: leasing of properties to generate rental income.

The measure used for reporting segment profit or loss is "EBITDA", i.e. "earnings before interest, taxes, depreciation and impairment loss on non-current assets before intra-group elimination", where "interest" includes investment income.

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	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
For the six months ended 30 September										
Revenue from external customers	78,284	60,828	9,128	8,638	14,325	15,553	4,837	2,273	106,574	87,292
Inter-segment revenue	-	-	395	536	10	5	1,212	1,212	1,617	1,753
Reportable segment revenue	78,284	60,828	9,523	9,174	14,335	15,558	6,049	3,485	108,191	89,045
EBITDA	7,437	(5,235)	3,114	1,508	386	1,859	(167)	(3,616)	10,770	(5,484)
As at 30 September / 31 March										
Reportable segment assets	528,616	493,835	145,411	146,369	13,532	14,240	198,312	200,601	885,871	855,045
Reportable segment liabilities	498,249	467,234	10,822	11,969	5,005	4,642	14,413	14,750	528,489	498,595

(b) Reconciliations of reportable segment profit or loss

	Six months ended 30 September	
	2023 \$'000	2022 \$'000
EBITDA	10,770	(5,484)
Interest income on financial assets measured at amortised cost	1,191	386
Depreciation	(19,818)	(19,386)
Finance costs	(1,734)	(1,066)
Unallocated head office and corporate income	2,019	1,147
Consolidated loss before taxation	(7,572)	(24,403)

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 2023, the sales of garments division reported reportable segment revenue of \$178,872,000 (twelve months ended 30 September 2022: \$144,810,000) and reportable segment EBITDA of \$23,459,000 (twelve months ended 30 September 2022: \$12,557,000).

5. Loss before taxation

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

	Six months ended 30 September	
	2023	2022
	\$'000	\$'000
(a) <i>Finance costs</i>		
Interest on lease liabilities	<u>1,734</u>	<u>1,066</u>
(b) <i>Other items</i>		
Depreciation charge		
- owned property, plant and equipment	1,610	1,724
- right-of-use assets	18,208	17,662
Impairment loss on trade debtors	132	-
Reversal of impairment loss on trade debtors	(302)	(84)
Reversal of write-down of inventories, net	(1,365)	(9,376)
Net exchange loss	4,065	11,372
Change in fair value of trading securities	(66)	(35)
Government subsidies (note)	-	(3,874)
Interest income	<u>(1,191)</u>	<u>(386)</u>

Note : During the six months ended 30 September 2022, the Group was granted \$3,874,000 from the Employment Support Scheme under the Anti-epidemic Fund set up by the Government of the Hong Kong Special Administrative Region for not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

6. Income tax expenses

Income tax (expenses) / credit in the consolidated statement of profit or loss represents:

	Six months ended 30 September	
	2023	2022
	\$'000	\$'000
Current tax - Hong Kong Profits Tax	(403)	(186)
Current tax - Outside Hong Kong	10	173
Deferred tax	31	(16)
	<u>(362)</u>	<u>(29)</u>

The provision for Hong Kong Profits Tax is calculated at 16.5% (2022: 16.5%) of the estimated assessable profits for the period.

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

The corporate tax rate applicable to the Group's operations in the United Kingdom is 19% (2022: 19%) for the period.

The Corporate Income Tax rate applicable to the Group's operations in Mainland China is 25% (2022: 25%) for the period.

Under the tax law of the People's Republic of China ("PRC"), a 10% withholding tax shall be levied on dividends declared to foreign investors from the Group's PRC subsidiaries, however, only the dividends attributable to the profits of the financial period starting from 1 January 2008 will be subject to withholding tax. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign investor. Pursuant to a double tax arrangement between the PRC and Hong Kong, the Group is subject to a withholding tax at a rate of 5% for any dividend payments from its PRC subsidiaries.

7. Dividends

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

The board of directors does not recommend the payment of an interim dividend for the six months ended 30 September 2023 (2022: Nil).

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

Final dividend of 10 cents per ordinary share in respect of the year ended 31 March 2023 amounted to \$16,586,000 was proposed by the directors on 29 June 2023 and was approved in the Company's Annual General Meeting on 22 September 2023. The dividend was paid on 16 October 2023.

Final dividend of 5 cents per ordinary share in respect of the year ended 31 March 2022 amounted to \$8,293,000 was proposed by the directors on 29 June 2022 and was approved in the Company's Annual General Meeting on 23 September 2022. The dividend was paid on 17 October 2022.

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 \$7,431,000 (six months ended 30 September 2022: \$23,890,000) and 165,864,000 (2022: 165,864,000) ordinary shares in issue during the interim period.

(b) Diluted loss per share

There were no potential dilutive ordinary shares outstanding during the six months periods ended 30 September 2023 and 2022. 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 2023. However, the directors have considered that the fair values of the investment properties as at 30 September 2023 would not be materially different from the professional valuation made as at 31 March 2023 and, accordingly, no valuation gain or loss has been recognised in the current period.

10. Trade and other receivables

At the end of the reporting period, the ageing analysis of trade debtors (net of loss allowance) based on invoice date is as follows:

	30 September	31 March
	2023	2023
	\$'000	\$'000
Within 1 month	11,978	16,554
Over 1 month but within 2 months	911	720
Over 2 months but within 3 months	1,004	888
Over 3 months but within 12 months	1,427	1,446
Over 12 months	14	-
Trade debtors, net of loss allowance	<u>15,334</u>	<u>19,608</u>
Deposits, prepayments and other receivables	17,544	15,994
Employee retirement benefits	1,367	1,421
Amounts due from related companies	31	-
	<u><u>34,276</u></u>	<u><u>37,023</u></u>

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

At the end of the reporting period, the ageing analysis of trade creditors based on invoice date is as follows:

	30 September	31 March
	2023	2023
	\$'000	\$'000
Trade and other payables		
Within 1 month	12,745	8,965
Over 1 month but within 3 months	5,375	4,497
Over 3 months but within 6 months	159	168
Over 6 months	59	262
Trade creditors	<u>18,338</u>	<u>13,892</u>
Other payables and accrued charges	26,962	26,460
Amounts due to related company	168	161
	<u>45,468</u>	<u>40,513</u>
Contract liabilities		
Receipts in advance	<u>2,051</u>	<u>1,997</u>
	<u><u>47,519</u></u>	<u><u>42,510</u></u>

INTERIM DIVIDEND

The Board has resolved not to declare a payment of interim dividend for the six months ended 30 September 2023 (2022: Nil).

BUSINESS REVIEW AND PROSPECTS

The Group's revenue for the period increased by 22.1% to HK\$106,574,000 (2022: HK\$87,292,000) primarily attributed to the recovery of retail sales in Hong Kong. However, challenges persist due to evolving consumer behavior, economic factors, geopolitics and the need for innovation and adaptation.

As of September 2023, the Group operates a distribution network of 103 points of sale, with 31 in Hong Kong, 5 in Macau, 64 in Mainland China and 3 in Taiwan. We will approach store network expansion with caution.

The Group currently holds global intellectual property rights for Guy Laroche and Ashworth. Ashworth has successfully entered into licensing agreements and actively seeks new business partners worldwide. The European market, known for its volatility, poses a significant test for Guy Laroche as it strives to maintain profitability. Total income from licensing trademarks has increased to HK\$9,128,000 compared to HK\$8,638,000 in 2022, reflecting the strength and value of our intellectual property assets.

Total revenue from security printing dropped by 7.9% to HK\$14,325,000 (2022: HK\$15,553,000). The printing business faces challenges from digitisation, completion, economic factors, environmental concerns and technological advancements. To remain competitive, business must adapt to changing customer needs and seek differentiation opportunities.

Rental income from external tenants increased to HK\$4,837,000 (2022: HK\$2,273,000). Our London office building and Hong Kong industrial building, housing our security printing division, are fully occupied. We anticipate a stable income stream in the coming years.

Overall gross profit margin raised to 71.8% (2022: 66.9%). As a result, the Group's loss from operation decreased to HK\$5,838,000 from HK\$23,337,000 for last year same period. We have taken measures to adapt to the changing market situation and meet the preferences of our customers by adjusting our discount and promotion policies, as well as our product mix. Our focus on customer satisfaction remains a top priority and we are committed to providing quality products and services that meet their needs.

The management continues to foresee a challenging operating environment in the second half of the year due to the uncertainty stemming from the war in the Middle East and the conflict between Russia and Ukraine. Additionally, the pace of economic recovery in Mainland China and the rest of the world following the COVID-19 pandemic has not met expectations. In light of these circumstances, it is crucial to prioritise cash management for the sake of long-term sustainability. This can be achieved through rigorous cost control measures and maintaining a disciplined approach to working capital. By implementing these strategies, we can navigate the current landscape with prudence and ensure the stability of our operations.

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 2023, the Group had cash and bank deposits net of bank overdrafts of HK\$108,832,000 (31 March 2023: HK\$118,116,000) and held trading securities at fair value of HK\$10,265,000 (31 March 2023: HK\$10,610,000).

During the period, the Group spent approximately HK\$1,466,000 in additions and replacement of owned property, plant and equipment, compared to HK\$3,208,000 for the last year same period.

The Group's net assets as at 30 September 2023 were HK\$452,139,000 (31 March 2023: HK\$477,617,000). The Group's gearing ratio at the end of the reporting period was 0.174 (31 March 2023: 0.134) which was calculated based on total borrowings of HK\$Nil (31 March 2023: HK\$4,000) and lease liabilities of HK\$77,432,000 (31 March 2023: HK\$63,057,000) and shareholders' equity of HK\$445,632,000 (31 March 2023: HK\$470,424,000).

The Group also maintains a non-speculative approach to foreign exchange exposure management. The Group is exposed to currency risk primarily through income and expenditure streams denominated in the United States Dollars, the Euros, the Sterling Pounds 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 2023, the Group had approximately 340 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 2023.

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 2023.

CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied throughout the six months ended 30 September 2023 with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules, except that the non-executive directors were not appointed for a specific term but are subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the Company's articles of association.

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 2023 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 2023

As at the date of this announcement the Board comprises five executive Directors, namely Mr. Chan Wing Sun, Samuel, Madam Chan Suk Ling, Shirley, Mr. Fu Sing Yam, William, 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.