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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 2015

INTERIM RESULTS

The Board of Directors (the “Board”) of YGM Trading Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “Group”) and the Group’s interests in associates for the six months ended 30 September 2015 as follows. The interim results for the period ended 30 September 2015 have not been audited, but have been reviewed by KPMG.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS – UNAUDITED

(Expressed in Hong Kong dollars unless otherwise indicated)

	Note	Six months ended 30 September	
		2015 \$'000	2014 \$'000
Revenue	3 & 4	431,771	510,933
Cost of sales		(174,540)	(189,517)
Gross profit		257,231	321,416
Other income		1,222	8,066
Distribution costs		(240,489)	(234,811)
Administrative expenses		(65,200)	(71,704)
Other operating expenses		(3,340)	(770)
(Loss)/Profit from operations		(50,576)	22,197
Expenses for proposed separate listing of a subsidiary	5(c)	(9,200)	-
Finance costs	5(a)	(109)	(216)
Share of losses of associates		-	(91)
(Loss)/Profit before taxation	5	(59,885)	21,890
Income tax	6	9,045	(1,759)
(Loss)/Profit for the period		(50,840)	20,131
Attributable to :			
Equity shareholders of the Company		(48,633)	20,938
Non-controlling interests		(2,207)	(807)
(Loss)/Profit for the period		(50,840)	20,131
(Loss)/Earnings per share	8		
<i>Basic</i>		(29.3 cents)	12.6 cents
<i>Diluted</i>		N/A	12.6 cents

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

(Expressed in Hong Kong dollars unless otherwise indicated)

	Six months ended 30 September	
	2015	2014
	\$'000	\$'000
(Loss)/Profit for the period	(50,840)	20,131
Other comprehensive income for the period (after tax and reclassification adjustments):		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries based outside Hong Kong	<u>7,269</u>	<u>(6,983)</u>
Total comprehensive income for the period	<u>(43,571)</u>	<u>13,148</u>
Attributable to :		
Equity shareholders of the Company	<u>(40,722)</u>	13,958
Non-controlling interests	<u>(2,849)</u>	<u>(810)</u>
Total comprehensive income for the period	<u>(43,571)</u>	<u>13,148</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – UNAUDITED

(Expressed in Hong Kong dollars unless otherwise indicated)

		30 September 2015 \$'000	31 March 2015 \$'000
Non-current assets			
Investment properties		253,055	250,717
Other property, plant and equipment		181,251	206,730
Interests in leasehold land held for own use under operating leases		-	5,056
		434,306	462,503
Intangible assets		447,882	447,882
Lease premium		6,913	6,636
Interests in associates		350	200
Other financial assets		288	306
Rental deposits and prepayments		41,967	47,123
Deferred tax assets		70,657	59,392
		1,002,363	1,024,042
Current assets			
Trading securities		8,611	1,625
Inventories		297,385	279,724
Trade and other receivables	9	149,050	134,244
Current tax recoverable		410	1,073
Cash and cash equivalents		167,041	188,859
Assets held for sale	11	27,726	-
		650,223	605,525
Current liabilities			
Trade and other payables	10	196,017	147,898
Bank loans and overdrafts		27,344	12,360
Dividends payable	7(b)	49,758	-
Current tax payable		4,794	7,741
Liabilities associated with assets held for sale	11	6,316	-
		284,229	167,999
Net current assets		365,994	437,526
Total assets less current liabilities		1,368,357	1,461,568
Non-current liabilities			
Deferred tax liabilities		5,118	5,000
NET ASSETS		1,363,239	1,456,568
CAPITAL AND RESERVES			
Share capital		383,909	383,909
Reserves		952,734	1,043,214
Total equity attributable to shareholders of the Company		1,336,643	1,427,123
Non-controlling interests		26,596	29,445
TOTAL EQUITY		1,363,239	1,456,568

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 27 November 2015.

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 2015, 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 2016. Details of these changes in accounting policies are set out in note 2.

The preparation of interim financial results in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

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

This interim financial results contain consolidated statement of financial position as at 30 September 2015 and the related consolidated statement of profit or loss and 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 2015. This interim financial results do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The financial information relating to the financial year ended 31 March 2015 that is included in the interim financial results as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap.622) is as follows:

The Company has delivered the financial statements for the year ended 31 March 2015 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

2. Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company.

- Annual Improvements to HKFRSs 2010-2012 Cycle
- Annual Improvements to HKFRSs 2011-2013 Cycle

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. Segment reporting

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified four reportable segments. No operating segments have been aggregated to form the following reportable segments.

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

(a) *Information about profit or loss, assets and liabilities*

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below:

For six months ended 30 September	Sales of garments		Licensing of trademarks		Printing and related services		Property rental		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	371,732	446,409	36,563	39,394	20,280	22,388	3,196	2,742	431,771	510,933
Inter-segment revenue	-	-	12,306	12,241	196	306	2,219	1,932	14,721	14,479
Reportable segment revenue	371,732	446,409	48,869	51,635	20,476	22,694	5,415	4,674	446,492	525,412
Reportable segment (loss)/profit (adjusted EBITDA)	(53,864)	10,157	16,858	23,920	6,046	7,086	5,619	3,509	(25,341)	44,672
	30 Sep 2015	31 Mar 2015	30 Sep 2015	31 Mar 2015	30 Sep 2015	31 Mar 2015	30 Sep 2015	31 Mar 2015	30 Sep 2015	31 Mar 2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Reportable segment assets	644,705	578,227	700,797	707,381	26,622	30,673	253,520	252,459	1,625,644	1,568,740
Reportable segment liabilities	348,780	113,617	61,827	224,374	7,138	4,739	3,144	1,222	420,889	343,952

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

(b) Reconciliations of reportable segment profit or loss

	Six months ended 30 September	
	2015	2014
	\$'000	\$'000
Reportable segment (loss)/profit	(25,341)	44,672
Elimination of inter-segment profits	(4,061)	(3,251)
Reportable segment (loss)/profit derived from the Group's external customers	(29,402)	41,421
Other income	491	2,645
Depreciation and amortisation	(18,839)	(16,838)
Expenses for proposed separate listing of a subsidiary	(9,200)	-
Finance costs	(109)	(216)
Share of losses of associates	-	(91)
Unallocated head office and corporate expenses	(2,826)	(5,031)
Consolidated (loss)/profit before taxation	(59,885)	21,890

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 2015, the sales of garments division reported reportable segment revenue of \$892,366,000 (twelve months ended 30 September 2014: \$1,028,201,000) and reportable segment loss of \$28,516,000 (twelve months ended 30 September 2014: reportable segment profit of \$79,561,000).

5. (Loss)/Profit before taxation

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

	Six months ended 30 September	
	2015	2014
	\$'000	\$'000
(a) Finance costs		
Interest on bank loans and overdrafts wholly repayable within five years	109	216
(b) Other items		
Depreciation and amortisation of other property, plant and equipment	18,839	16,838
Inventories write-down and losses net of reversals	(9,121)	(1,413)
Net realised and unrealised (gain)/loss on trading securities	(861)	502
Net realised gain on other financial assets	-	(519)
Interest income	(278)	(2,690)
Dividend income from listed securities	(5)	(5)

(c) *Expenses for proposed separate listing of a subsidiary*

On 13 April 2015, the Company submitted to The Stock Exchange of Hong Kong Limited (“the Stock Exchange”) to apply for the listing of the shares of HKSP Holdings Limited (“HKSPH”) on The Growth Enterprise Market of the Stock Exchange (“Proposed Spin-off”) by ways of placing of the shares of HKSPH with professional and institutional investors and distribution in specie whereby a portion of the entire issued share capital of HKSPH will be allocated to shareholders of the Group in proportion to their respective shareholding in the Group. On 9 September 2015, HKSPH was notified by the Listing Division of the Stock Exchange (the “Listing Division”) that the listing application was rejected. The Company and HKSPH are now seeking advice from the professional parties on the possible steps to be taken with regard to the Listing Division’s decision. Legal and professional expenses in respect of the Proposed Spin-off amounting to \$9,200,000 were incurred in the period.

6. Income tax

	Six months ended 30 September	
	2015	2014
	\$'000	\$'000
Current tax - Hong Kong Profits Tax	1,492	6,289
Current tax - Outside Hong Kong	(650)	1,228
Deferred taxation	(9,887)	(5,758)
	<u>(9,045)</u>	<u>1,759</u>

The provision for Hong Kong Profits Tax for 2015 is calculated at 16.5% (2014: 16.5%) of the estimated assessable profits for the period. Taxation for subsidiaries outside Hong Kong is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant countries.

7. Dividends

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

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2015 (2014: 10 HK cents per share).

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

Final dividends of 30.0 HK cents per share in respect of the year ended 31 March 2015 amounted to \$49,758,000 was proposed by the directors on 23 June 2015 and was approved in the Company’s Annual General Meeting on 16 September 2015. The dividends were paid on 5 October 2015. At 30 September 2015, the amount of dividends payable was included in “dividends payable” in the consolidated statement of financial position.

Final dividends of 80.0 HK cents per share in respect of the year ended 31 March 2014 amounted to \$132,691,000 was approved and paid during the period ended 30 September 2014.

8. (Loss)/Earnings per share

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of \$48,633,000 (six months ended 30 September 2014: profit of \$20,938,000) and the weighted average number of ordinary shares of 165,864,000 shares (2014: 165,864,000 shares) in issue during the period.

(b) Diluted (loss)/earnings per share

There is no dilutive potential ordinary share during six months ended 30 September 2015.

The calculation of diluted earnings per share for the six months ended 30 September 2014 is based on the profit attributable to ordinary equity shareholders of the Company of \$20,938,000 and the weighted average number of ordinary shares of 165,873,000 shares in issue during the period.

9. Trade and other receivables

As of the end of the reporting period, the ageing analysis of trade debtors (which are included in trade and other receivables), based on the invoice date and net of allowance for doubtful debts, is as follows:

	30 September 2015 \$'000	31 March 2015 \$'000
Within 1 month	62,990	64,831
1 to 2 months	17,244	9,600
2 to 3 months	5,342	510
Over 3 months	830	4,128
Trade debtors, net of allowance for doubtful debts	86,406	79,069
Deposits, prepayments and other receivables	61,888	54,377
Amounts due from related companies	6	48
Club memberships	750	750
	149,050	134,244

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

10. Trade and other payables

As of the end of the reporting period, the ageing analysis of trade creditors and bills payable (which are included in trade and other payables), based on the invoice date, is as follows:

	30 September 2015 \$'000	31 March 2015 \$'000
Within 1 month	26,748	16,045
1 to 3 months	22,880	8,487
Over 3 months but within 6 months	1,675	5,659
Over 6 months	1,274	4,938
Total creditors and bills payable	52,577	35,129
Other payables and accrued charges	131,720	104,158
Amounts due to related companies	11,720	8,611
	196,017	147,898

11. Disposal group held for sale

As disclosed in the Major Transaction Circular issued by the Company on 21 August 2015, the Company and Luk Hop Garments Limited (“Luk Hop”), a wholly owned subsidiary of the Company, entered into a sale and purchase agreement on 6 July 2015 with an independent third party (“the Purchaser”) relating to the disposal of the entire issued shares of YGM Clothing Limited (“YGM Clothing”) within sales of garments segment a cash consideration of RMB45,200,000 (equivalent to approximately \$56,500,000); an amount of RMB29,800,000 (equivalent to approximately \$36,532,000) had been received as at the end of September 2015. Each of the Company and Luk Hop hold 50% of the issued shares of YGM Clothing. YGM Clothing is the sole shareholder of YGM Clothing (Dongguan) Limited which in turn is the legal owner of the land located at Chukeng Management District, Dongkeng Town, Dongguan City (東莞市東坑鎮初坑管理區) with a site area of 58,347 sq. m. together with the factory and employee apartments and dormitories built thereon with a total gross area of approximately 31,974 sq. m.. The land use right of the Land expires in February 2044. The completion of the sale shall take place no later than 28 January 2016.

Accordingly, the corresponding assets and liabilities are presented as assets held for sale and liabilities associated with assets held for sale in the consolidated statement of financial position.

As at 30 September 2015, the disposal group comprised assets of \$27,726,000 less liabilities of \$6,316,000 as follows:

	\$'000
Other property, plant and equipment	22,459
Interests in leasehold land held for own use under operating leases	4,849
Trade and other receivables	112
Deferred tax assets	306
Assets held for sale	<u>27,726</u>
Trade and other payables	6,316
Liabilities associated with assets held for sale	<u>6,316</u>

There are cumulative income of \$8,717,000 included in other comprehensive income relating to the disposal group.

MANAGEMENT DISCUSSION AND ANALYSIS

RECENT DEVELOPMENTS

On 13 April 2015, the Company submitted to The Stock Exchange of Hong Kong Limited (“the Stock Exchange”) to apply for the listing of the shares of HKSP Holdings Limited (“HKSPH”) on The Growth Enterprise Market of the Stock Exchange (“Proposed Spin-off”) by ways of placing of the shares of HKSPH with professional and institutional investors and distribution in specie whereby a portion of the entire issued share capital of HKSPH will be allocated to shareholders of the Group in proportion to their respective shareholding in the Group. On 9 September 2015, HKSPH was notified by the Listing Division of the Stock Exchange (the “Listing Division”) that the listing application was rejected. The Company and HKSPH are now seeking advice from the professional parties on the possible steps to be taken with regard to the Listing Division’s decision.

On 6 July 2015, the Company and Luk Hop Garments Limited (“Luk Hop”), a subsidiary of the Company, entered into a sale and purchase agreement with an independent third party relating to the disposal of the entire issued shares of YGM Clothing Limited (“YGM Clothing”) at a consideration of RMB45,200,000 (equivalent to approximately HK\$56,500,000). Each of the Company and Luk Hop hold 50% of the issued shares of YGM Clothing. YGM Clothing is the sole shareholder of YGM Clothing (Dongguan) Limited which in turn is the legal owner of the land located at Chukeng Management District, Dongkeng Town, Dongguan City (東莞市東坑鎮初坑管理區) with a site area of 58,347 sq. m. together with the factory and employee apartments and dormitories built thereon with a total gross area of approximately 31,974 sq. m.. The land use right of the land

expires in February 2044. The completion of the sale shall take place no later than 28 January 2016. Upon completion, the Group shall cease to hold any interest in YGM Clothing and YGM Clothing will cease to be a subsidiary of the Company.

RESULTS OF THE GROUP'S OPERATIONS

The interim period ended 30 September 2015 has proven to be very challenging. The Group recorded a loss for the period which was mainly attributable to (i) the significant decrease in sales in the retail and wholesale of branded garments, leather goods and accessories, the Group's principal business, caused by a decline in the retail markets in which the Group operates, particularly in Hong Kong and Mainland China; and (ii) the incurring of the one-off legal and professional expenses of HK\$9,200,000 in respect of the proposed spin-off and separate listing of the Group's printing business on the Growth Enterprise Market of the Stock Exchange in the period.

Retail and wholesale of branded garments, leather goods and accessories business in Hong Kong and Mainland China, the Group's principal operating markets, were adversely impacted by economic and exchange rate factors during the period. In the Hong Kong market, diminished inbound tourist traffic growth, in particular from Mainland China, was attributed to the strength of the Hong Kong dollar and the easing of immigration in multiple tourist destinations. Slow economic growth continued to cause considerable impact on consumer spending in the Mainland China market.

Group's operations

	Six months ended 30 September		
	2015 HK\$'000	2014 HK\$'000	change
Revenue	431,771	510,933	-15.5%
Gross profit	257,231	321,416	-20.0%
Gross profit margin	59.6%	62.9%	-3.3 pp
(Loss)/Profit from operations	(50,576)	22,197	-327.9%
Operating margin	-11.7%	4.3%	-16.0 pp
(Loss)/Profit attributable to equity shareholders of the Company	(48,633)	20,938	-332.3%
Net profit margin	-11.3%	4.1%	-15.4 pp
EBITDA	(40,937)	38,944	-205.1%
EBITDA margin	-9.5%	7.6%	-17.1 pp
(Loss)/Earnings per share - basic	(\$0.293)	\$0.126	-332.5%
Dividend per share	-	\$0.10	-100.0%
Dividend payout	-	79.4%	-79.4 pp

The Group's revenue decreased by 15.5% to HK\$431,771,000 (2014: HK\$510,933,000). Total sales of garments, which is the Group's core business, fell by 16.7% to HK\$371,732,000 (2014: HK\$446,409,000). Total licensing of trademarks income from external customers decreased by 7.2% to HK\$36,563,000 (2014: HK\$39,394,000). Total gross profit decreased by 20.0% to HK\$257,231,000 (2014: HK\$321,416,000). Overall gross profit margin decreased to 59.6% from 62.9% for the last year same period.

The Group recorded a loss for the period of HK\$50,840,000 whereas a profit of HK\$20,131,000 for last year same period. Total operating expenses amounted to HK\$309,029,000 (2014: HK\$307,285,000), representing an increase of 0.6%. Total rental and other occupancy expenses of the Group increased by 7.0% to HK\$124,496,000 (2014: HK\$116,392,000) which accounted for 28.8% (2014: 22.8%) of the Group's revenue. Total staff costs, including directors' remuneration, decreased by 5.6% to HK\$101,001,000 (2014: HK\$106,962,000) and accounted for 23.4% (2014: 20.9%) of the Group's revenue. Total advertising and promotion expenses of the Group decreased by 4.8% to HK\$16,214,000 (2014: HK\$17,025,000) which accounted for 3.8% (2014: 3.3%) of the Group's revenue. Provision for bad debts of HK\$2,864,000 (2014: HK\$47,000) was made in the period mainly for receivables from licensing of trademark customers. Furthermore, the one-off legal and professional expenses in respect of the proposed spin-off and separate listing of the Group's printing business on the Growth Enterprise Market of the Stock Exchange totaling HK\$9,200,000 were incurred in the period.

Cash Flow from Operations

Net cash of HK\$60,408,000 (2014: HK\$23,131,000) was used in operations for the period. Major attribute was increase in stocks to HK\$297,385,000 as at the end of the period from HK\$279,724,000 as at 31 March 2015. Hence, current ratio decreased to 2.3 (31 March 2015: 3.6).

As at 30 September 2015, the Group had cash and bank deposits net of overdrafts of HK\$155,724,000 (31 March 2015: HK\$176,499,000), a decrease of HK\$20,775,000 after accounting for the receipt of part of the consideration of RMB29,800,000 (equivalent to approximately HK\$36,532,000) for the disposal of entire issued shares of YGM Clothing. At 30 September 2015, the Group had trading securities with a fair value of HK\$8,611,000 (31 March 2015: HK\$1,625,000).

During the period, the Group spent approximately HK\$14,404,000 in additions and replacement of other property, plant and equipment, compared to HK\$14,976,000 for the previous year.

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 2015 were HK\$1,363,239,000 (31 March 2015: HK\$1,456,568,000). The Group's gearing ratio at the end of the reporting period was 0.020 (31 March 2015: 0.009) which was calculated based on total borrowings of HK\$27,344,000 (31 March 2015: HK\$12,360,000) and shareholders' equity of HK\$1,336,643,000 (31 March 2015: HK\$1,427,123,000). The Group's borrowings are mainly on a floating rate basis.

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

OPERATIONS REVIEW

Sales of Garments

	Six months ended 30 September		
	2015	2014	change
	HK\$'000	HK\$'000	
Revenue from sales of garments	371,732	446,409	-16.7%
Segment (loss)/profit	(53,864)	10,157	-630.3%
Segment profit margin	-14.5%	2.3%	-16.8 pp
Inventory turnover (days) (<i>Note</i>)	327.8	314.6	4.2%

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

Sales of garments is the Group's principal business which is retailing and wholesaling of branded garments, leather goods and accessories. Total revenue of the segment declined by 16.7% to HK\$371,732,000 (2014: HK\$446,409,000). The segment recorded a loss of HK\$53,864,000 for the reporting period whereas a profit of HK\$10,157,000 for last year same period. Inventory turnover increased from 314.6 days for the previous period to 327.8 days.

Aquascutum apparel retail and wholesale business in the United Kingdom recorded a 29.0% increase in total revenue from external customers to GBP5,805,000 from GBP4,500,000 for the previous period which was mainly due to increase in wholesale as retail sales was steady. In spite of increase in total revenue, operations in the United Kingdom recorded a loss in the period.

Total revenue of the segment in other areas, mainly the Greater China region, decreased by 22.8%.

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

Number of POSs by geographical locations

	Mainland		Hong Kong		Macau		Taiwan		Europe		Total	
	China											
	30 Sep 2015	31 Mar 2015	30 Sep 2015	31 Mar 2015	30 Sep 2015	31 Mar 2015	30 Sep 2015	31 Mar 2015	30 Sep 2015	31 Mar 2015	30 Sep 2015	31 Mar 2015
Aquascutum	116	135	11	12	5	4	26	26	14	14	172	191
Ashworth	38	42	12	12	6	5	7	8	-	-	63	67
J.Lindeberg	-	-	6	6	3	3	-	-	-	-	9	9
Michel Rene	-	-	1	3	-	-	-	-	-	-	1	3
Guy Laroche	-	-	-	-	-	-	-	-	1	1	1	1
Total	154	177	30	33	14	12	33	34	15	15	246	271

As at the end of September 2015, the Group has a distribution network of 246 POSs in our operating market which reduced by 25 POSs from the end of March 2015.

The Group's manufacturing plant in Dongguan recorded an operating loss for the period. Revenue for the second half of the year will be adversely impacted by removal of the manufacturing plant due to the disposal of the entire issued shares of YGM Clothing.

Licensing of Trademark

The Group owns the global intellectual property rights of Guy Laroche and Aquascutum. Total income of licensing of trademarks from external customers decreased by 7.2% to HK\$36,563,000 (2014: HK\$39,394,000). A provision for bad debts of HK\$2,732,000 (2014: HK\$Nil) was made in the period.

Other Business

Security printing business recorded a decline in both revenue from external customers and segment profit. On 9 September 2015, HKSPH was notified by the Listing Division of the Stock Exchange that the listing application was rejected. The Company and HKSPH are now seeking advice from the professional parties on the possible steps to be taken with regard to the Listing Division's decision. Legal and professional expenses in respect of the Proposed Spin-off totaling HK\$9,200,000 were incurred in the period.

Property rental income from external customers increased from HK\$2,742,000 for last year same period to HK\$3,196,000. Income from leasing of industrial buildings in Hong Kong from external customers is steady. The increase was due to income from leasing of property in London which was acquired in June 2014.

HUMAN RESOURCES

As at 30 September 2015, the Group had approximately 1,500 employees (31 March 2015: 1,600). 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

Business in the six months ended 30 September 2015 had been most disappointing, and such situation is expected to last for perhaps a longer time than we liked. The luxury market in Mainland China and Hong Kong suffered dramatically. In the past few years, such market had benefitted from gifts purchases which now had largely disappeared. The Company recognizes that it is a structural change and is gradually changing to cater for self consumption mode while maintaining our brands' prestigious positions. The Company also suffered from high rentals committed in the past. To rebuild Aquascutum in the United Kingdom, losses were still incurred.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2015 (2014: 10 HK cents per share).

CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 September 2015, the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules, except that the Non-executive Directors were not appointed for a specific term but are subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the Company's articles of association.

DIRECTORS SECURITIES TRANSACTIONS

The Company has adopted a Securities Dealing Code regarding directors' securities transactions on terms no less exacting than required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 of the Listing Rules. All Directors have confirmed, upon specific enquiry by the Company, that they have complied with the required standard set out in the Model Code and its Securities Dealing Code throughout the period under review.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises four independent non-executive directors of the Company.

The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and the unaudited interim financial statements of the Group for the period ended 30 September 2015.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period ended 30 September 2015.

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

Hong Kong, 27 November 2015

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. Leung Hok Lim, Mr. Lin Keping, Mr. Sze Cho Cheung Michael and Mr. Choi Ting Ki.