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# YGM TRADING LIMITED

*(incorporated in Hong Kong with limited liability)*

**(Stock Code: 00375)**

## ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2020

The Board of Directors (the "Board") of YGM Trading Limited (the "Company") hereby announces the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2020 together with comparative figures for the corresponding year and selected explanatory notes as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

| | Note | **2020** | 2019 (Note) |
|---|---|---|---|
| | | ***$'000*** | *$'000* |
| **Revenue** | 3,4 | **269,818** | 360,675 |
| Cost of sales and direct costs | | **(130,481)** | (119,904) |
| **Gross profit** | | **139,337** | 240,771 |
| Other net loss | | **(3,278)** | (3,926) |
| Distribution costs | | **(203,376)** | (236,954) |
| Administrative expenses | | **(77,555)** | (82,637) |
| Other operating expenses | | **(9,668)** | (2,668) |
| **Loss from operations** | | **(154,540)** | (85,414) |
| Net valuation (losses)/gains on investment properties | | **(35,242)** | 5,330 |
| Net gain on disposal of an investment property | 5(c) | **-** | 3,580 |
| Net gain on disposal of land and buildings held for own use | 5(d) | **-** | 44,753 |
| Net gain on disposal of a subsidiary | 5(e) | **-** | 129,510 |
| Reversal of provision for potential PRC customs duties and indemnity liabilities and refund of related distrained deposits | 5(f) | **126,495** | - |
| Finance costs | 5(a) | **(3,841)** | (75) |
| **(Loss)/profit before taxation** | 5 | **(67,128)** | 97,684 |
| Income tax | 6 | **(22,392)** | (6,602) |
| **(Loss)/profit for the year** | | **(89,520)** | 91,082 |
| **Attributable to:** | | | |
| Equity shareholders of the Company | | **(87,125)** | 90,189 |
| Non-controlling interests | | **(2,395)** | 893 |
| **(Loss)/profit for the year** | | **(89,520)** | 91,082 |
| **(Loss)/earnings per share** | 8 | | |
| - Basic and diluted | | **$ (0.53)** | $ 0.54 |

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

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

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
*(Expressed in Hong Kong dollars unless otherwise indicated)*

| | **2020** | 2019 (Note) |
|---|---|---|
| | ***$'000*** | $'000 |
| **(Loss)/profit for the year** | **(89,520)** | 91,082 |
| **Other comprehensive income for the year (after tax and reclassification adjustments)** | | |
| *Item that may be reclassified subsequently to profit or loss:* | | |
| Exchange differences on translation of financial statements of subsidiaries outside Hong Kong | **(7,335)** | (14,092) |
| **Other comprehensive income for the year** | **(7,335)** | (14,092) |
| **Total comprehensive income for the year** | **(96,855)** | 76,990 |
| **Attributable to:** | | |
| Equity shareholders of the Company | **(94,460)** | 76,667 |
| Non-controlling interests | **(2,395)** | 323 |
| **Total comprehensive income for the year** | **(96,855)** | 76,990 |

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
*(Expressed in Hong Kong dollars unless otherwise indicated)*

| | Note | **2020** | 2019 (Note) |
|---|---|---|---|
| | | ***$'000*** | *$'000* |
| **Non-current assets** | | | |
| Investment properties | | **243,112** | 278,173 |
| Other property, plant and equipment | | **62,552** | 21,477 |
| | | **305,664** | 299,650 |
| Intangible assets | | **133,442** | 102,050 |
| Lease premium | | **-** | 5,764 |
| Rental deposits | | **9,959** | 16,436 |
| Deferred tax assets | | **4,226** | 25,607 |
| | | **453,291** | 449,507 |
| **Current assets** | | | |
| Trading securities | | **18,408** | 18,310 |
| Inventories | | **59,798** | 79,700 |
| Trade and other receivables | 9 | **39,433** | 50,353 |
| Current tax recoverable | | **706** | 214 |
| Cash and cash equivalents | | **153,496** | 321,901 |
| | | **271,841** | 470,478 |
| **Current liabilities** | | | |
| Bank overdrafts | | **7,485** | 6,777 |
| Trade and other payables and contract liabilities | 10 | **52,205** | 76,206 |
| Lease liabilities | | **59,017** | - |
| Current tax payable | | **337** | 638 |
| Provisions | 11 | **-** | 130,289 |
| | | **119,044** | 213,910 |
| **Net current assets** | | **152,797** | 256,568 |
| **Total assets less current liabilities** | | **606,088** | 706,075 |
| **Non-current liabilities** | | | |
| Lease liabilities | | **46,974** | - |
| Deferred tax liabilities | | **1,280** | 1,507 |
| | | **48,254** | 1,507 |
| **NET ASSETS** | | **557,834** | 704,568 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | | **383,909** | 383,909 |
| Reserves | | **154,186** | 298,405 |
| **Total equity attributable to equity shareholders of the Company** | | **538,095** | 682,314 |
| **Non-controlling interests** | | **19,739** | 22,254 |
| **TOTAL EQUITY** | | **557,834** | 704,568 |

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

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

## 1. Basis of preparation of the financial statements

The financial information relating to the year ended 31 March 2020 and the year ended 31 March 2019 included in this preliminary announcement of annual results does not constitute the Company's statutory annual consolidated financial statements but is extracted from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The financial statements for the year ended 31 March 2020 have yet to be reported on by the Company's auditor and will be delivered to the Registrar of Companies in due course.

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 Hong Kong Companies Ordinance.

The Company's auditor has reported on the statutory financial statements of the Company 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 sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

The Company's statutory annual financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The measurement basis used in the preparation of the statutory annual financial statements is the historical cost basis except that investment properties and trading securities are stated at their fair value.

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2020 have been compared by the Company's auditors, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditors on this announcement.

## 2. Changes in accounting policies

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, 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. The Group has opted for the early adoption of the Amendment to HKFRS 16 *Covid-19-Related Rent Concessions* which is effective for accounting period beginning on or after 1 June 2020. The Group has not applied any other 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.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the consolidated financial position, consolidated financial performance and consolidated cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 April 2019. The Group has elected to use the modified retrospective approach. 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. 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 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

b. Lessee accounting and transitional impact

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 which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to properties and office equipment.

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; and

(ii) 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 at 31 March 2019 to the opening balance for lease liabilities recognised as at 1 April 2019:

| | 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) |
| | 175,701 |
| Less: Total future interest expenses | (72,801) |
| Total lease liabilities recognised at 1 April 2019 | 102,900 |

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the previous assessment for onerous contract provisions recognised in the consolidated statement of financial position at 31 March 2019.

The following table summarises the impact of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

| | *Carrying amount at 31 March 2019* | *Capitalisation of operating lease contracts* | *Carrying amount at 1 April 2019* |
|---|---|---|---|
| | *$'000* | *$'000* | *$'000* |
| **Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:** | | | |
| Investment properties | 278,173 | 13,413 | 291,586 |
| Other property, plant and equipment | 21,477 | 78,887 | 100,364 |
| **Total non-current assets** | 449,507 | 92,300 | 541,807 |
| Lease liabilities (current) | - | 52,374 | 52,374 |
| Provisions | 130,289 | (10,600) | 119,689 |
| **Current liabilities** | 213,910 | 41,774 | 255,684 |
| **Net current assets** | 256,568 | (41,774) | 214,794 |
| **Total assets less current liabilities** | 706,075 | 50,526 | 756,601 |
| Lease liabilities (non-current) | - | 50,526 | 50,526 |
| **Total non-current liabilities** | 1,507 | 50,526 | 52,033 |

c. Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 April 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported loss from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the consolidated cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the consolidated cash flow statement.

d. 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 Group is required to recognise lease liability relating to a lease of the underlying leasehold land of its investment properties which was previously classified as an operating lease under HKAS 17 and add back any recognised lease liability to arrive at the carrying amount of the investment properties.

e. Lessor accounting

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 consolidated financial statements in this regard.

Amendment to HKFRS 16 *Covid-19-Related Rent Concessions*

The Group has early adopted Amendment to HKFRS 16 *Covid-19-Related Rent Concessions*. The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("Covid-19-related rent concessions") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendment and apply the practical expedient to all qualifying Covid-19-related rent concessions during the year ended 31 March 2020. Consequently, rent concessions have been recognised as negative variable lease payments in profit or loss in the period in which the event or condition that triggers those payments occurs. There is no impact on the opening balance of equity at 1 April 2019.

## 3. Revenue

The principal activities of the Group are garment wholesaling and retailing, trademark ownership and licensing, property investment and provision of security printing, general business printing and trading of printing products.

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by significant category of revenue is as follows:

| | **2020** | 2019 |
|---|---|---|
| | ***$'000*** | *$'000* |
| **Revenue from contracts with customers within the scope of HKFRS 15** | | |
| Sales of garments | **201,550** | 281,360 |
| Royalty and related income | **26,042** | 30,111 |
| Income from printing and related services | **33,476** | 33,347 |
| | **261,068** | 344,818 |
| **Revenue from other sources** | | |
| Gross rentals from investment properties - lease payments that are fixed or depend on an index or a rate | **8,750** | 15,857 |
| | **269,818** | 360,675 |

The Group's customer base is diversified and no individual customer with whom transactions have exceeded 10% of the Group's revenue for the years ended 31 March 2020 and 2019.

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 and therefore the information about the remaining performance obligation is not disclosed for contracts that have an original expected duration of one year or less and also for those performance obligations which are regarded as satisfied as invoiced.

## 4. 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 resources 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) Segment results, 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 years ended 31 March 2020 and 2019 is set out below:

| | Sales of garments | | Licensing of trademarks | | Printing and related services | | Property rental | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 |
| | ***$'000*** | *$'000* | ***$'000*** | *$'000* | ***$'000*** | *$'000* | ***$'000*** | *$'000* | ***$'000*** | *$'000* |
| Revenue from external customers | **201,550** | 281,360 | **26,042** | 30,111 | **33,476** | 33,347 | **8,750** | 15,857 | **269,818** | 360,675 |
| Inter-segment revenue | **-** | - | **600** | 475 | **167** | 324 | **2,421** | 3,630 | **3,188** | 4,429 |
| **Reportable segment revenue** | **201,550** | 281,360 | **26,642** | 30,586 | **33,643** | 33,671 | **11,171** | 19,487 | **273,006** | 365,104 |
| **Reportable segment (loss)/ profit (adjusted EBITDA)** | **(31,954)** | (67,974) | **(5,856)** | (4,222) | **6,351** | 5,046 | **8,011** | 15,468 | **(23,448)** | (51,682) |
| **Reportable segment assets** | **471,687** | 398,688 | **146,819** | 123,079 | **21,633** | 22,199 | **246,550** | 282,217 | **886,689** | 826,183 |
| **Reportable segment liabilities** | **459,208** | 451,823 | **18,407** | 22,045 | **5,919** | 3,646 | **13,592** | 1,863 | **497,126** | 479,377 |

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

*(b) Reconciliation of reportable profit or loss*

| | **2020** | 2019 (Note) |
|---|---|---|
| | ***$'000*** | *$'000* |
| Reportable segment loss | **(23,448)** | (51,682) |
| Elimination of inter-segment profits | **(2,387)** | (2,809) |
| Reportable segment loss derived from the Group's external customers | **(25,835)** | (54,491) |
| Other income | **1,797** | 2,269 |
| Depreciation | **(65,467)** | (13,965) |
| Impairment loss on other property, plant and equipment | **(43,199)** | (3,493) |
| Impairment loss on lease premium | **(5,685)** | - |
| Net valuation (losses)/gains on investment properties | **(35,242)** | 5,330 |
| Net gain on disposal of an investment property | **-** | 3,580 |
| Net gain on disposal of land and buildings held for own use | **-** | 44,753 |
| Net gain on disposal of a subsidiary | **-** | 129,510 |
| Reversal of provision for potential PRC customs duties and indemnity liabilities and refund of related distrained deposits | **126,495** | - |
| Finance costs | **(3,841)** | (75) |
| Unallocated head office and corporate expenses | **(16,151)** | (15,734) |
| Consolidated (loss)/profit before taxation | **(67,128)** | 97,684 |

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

## 5. (Loss)/profit before taxation

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

| | | 2020<br>$'000 | 2019<br>$'000 |
|---|---|---|---|
| (a) | *Finance costs* | | |
| | Interest expense on bank overdrafts | **126** | 75 |
| | Interest on lease liabilities | **3,715** | - |
| | | **3,841** | 75 |
| (b) | *Other items* | | |
| | Total minimum lease payments for leases previously classified as operating leases under HKAS 17 | **-** | 109,619 |
| | Variable lease payments not included in the measurement of lease liabilities | **6,961** | 9,340 |
| | Depreciation of owned property, plant and equipment | **10,038** | 13,965 |
| | Depreciation of right-of-use assets | **55,429** | - |
| | Impairment loss on other property, plant and equipment | | |
| | - owned property, plant and equipment | **6,166** | 3,493 |
| | - right-of-use assets | **37,033** | - |
| | Impairment loss on lease premium | **5,685** | - |
| | Impairment loss on trade debtors | **5,039** | 872 |
| | Reversal of impairment loss on trade debtors | **(3,413)** | (5,804) |
| | Provision for onerous contracts | **-** | 10,600 |
| | Cost of inventories | **124,330** | 117,837 |
| | Net unrealised gain on trading securities | **(98)** | (28) |
| | Net gain on disposal of trading securities | **-** | (38) |

(c) *Net gain on disposal of an investment property*

During the year ended 31 March 2019, the Group disposed of an investment property in Hong Kong with fair value of $7,300,000 at a consideration of $10,880,000, resulting in a net gain on disposal of $3,580,000.

(d) *Net gain on disposal of land and buildings held for own use*

During the year ended 31 March 2019, the Group disposed of a property held for own use in Macau with net book value of $5,247,000 at a consideration of $50,000,000, resulting in a net gain on disposal of $44,753,000.

(e) *Net gain on disposal of a subsidiary*

On 10 January 2019, the Group entered into a sale and purchase agreement with an independent third party for the sale of the entire issued share capital of Squash International Limited, a subsidiary of the Group, which held an investment property in Macau, for a total cash consideration of $220,000,000. The transaction was completed on 14 January 2019.

(f) *Reversal of provision for potential PRC customs duties and indemnity liabilities and refund of related distrained deposits*

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 (the "Contractual Indemnity

Period") 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 year ended 31 March 2018, with reference to the status of the field audit carried out by Gongbei Customs and relevant advice from legal counsels on the field audit as well as the contractual indemnity arising from the disposal agreement, a provision of $136,319,000 was made for the tax exposure and contractual indemnity based on the best estimate of the management and $16,053,000 have been paid to Gongbei Customs as deposits.

During the year ended 31 March 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 of $119,689,000 as at 31 March 2019.

During the year ended 31 March 2020, Gongbei Customs changed the target of the above tax case from a subsidiary of the Group to certain import/export companies who assisted the Group on import of goods during the period subject to challenge by Gongbei Customs. In October 2019, Gongbei Customs demanded those import/export companies for payment of the underpaid customs duty and import value-added tax, with related late payment surcharge amounted to $9,355,000 which were borne by the Group as agreed with Gongbei Customs. During January and March 2020, Gongbei Customs refunded a total of $6,075,000 to the Group which was the remaining balance of the deposits paid of $15,430,000 less the demanded taxes of $9,355,000 as mentioned above.

Based on the legal opinion obtained by the Group, the above case is considered closed and the subsidiary of the Group would not be subject to further liability arising from this case. In addition, no claims were raised by the Purchaser to the Group during the Contractual Indemnity Period. Outstanding provision of $120,420,000 is therefore written back in the profit or loss during the year ended 31 March 2020.

## 6. Income tax

| | **2020** | 2019 |
|---|---|---|
| | ***$'000*** | *$'000* |
| Current tax - Hong Kong Profits Tax | **1,520** | 1,195 |
| Current tax - Outside Hong Kong | **16** | 798 |
| Deferred tax | **20,856** | 4,609 |
| | **22,392** | 6,602 |

The provision for Hong Kong Profits Tax for 2020 is calculated at 16.5% (2019: 16.5%) of the estimated assessable profits for the year. 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 20% (2019: 20%) for the year.

## 7. Dividends

*(a) Dividends payable to equity shareholders of the Company attributable to the year*

| | **2020** | 2019 |
|---|---|---|
| | ***$'000*** | *$'000* |
| Interim dividend declared and paid of 10 cents (2019: 20 cents) per ordinary share | **16,586** | 33,173 |
| Final dividend proposed after the end of the reporting period of $Nil (2019: 20 cents) per ordinary share | **-** | 33,173 |
| | **16,586** | 66,346 |

*(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year*

| | **2020** | 2019 |
|---|---|---|
| | ***$'000*** | *$'000* |
| Final dividend in respect of the previous financial year, approved and paid during the year, of 20 cents (2019: 50 cents) per ordinary share | **33,173** | 82,932 |

## 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 $87,125,000 (2019: profit of $90,189,000) and 165,864,000 (2019: 165,864,000) ordinary shares in issue during the year.

*(b) Diluted (loss)/earnings per share*

There were no potential dilutive ordinary shares outstanding during the years ended 31 March 2020 and 2019. Accordingly, the diluted (loss)/earnings per share is the same as the basic (loss)/earnings 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 invoice date is as follows:

| | **2020** | 2019 |
|---|---|---|
| | ***$'000*** | *$'000* |
| Within 1 month | **12,186** | 19,213 |
| Over 1 month but within 2 months | **1,261** | 1,429 |
| Over 2 months but within 3 months | **774** | 1,997 |
| Over 3 months but within 12 months | **2,838** | 2,649 |
| Over 12 months | **345** | 402 |
| Trade debtors, net of loss allowance | **17,404** | 25,690 |
| Deposits, prepayments and other receivables | **21,279** | 23,913 |
| Club memberships | **750** | 750 |
| | **39,433** | 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 invoice date is as follows:

| | **2020** | 2019 |
|---|---|---|
| | ***$'000*** | *$'000* |
| **Trade and other payables** | | |
| Within 1 month | **13,425** | 18,136 |
| Over 1 month but within 3 months | **2,613** | 2,969 |
| Over 3 months but within 6 months | **904** | 452 |
| Over 6 months | **549** | 1,125 |
| Trade creditors and bills payable | **17,491** | 22,682 |
| Other payables and accrued charges | **30,075** | 46,506 |
| Amounts due to related companies | **982** | 1,991 |
| | **48,548** | 71,179 |
| **Contract liabilities** | | |
| Receipts in advance | **3,657** | 5,027 |
| | **52,205** | 76,206 |

## 11. Provisions

| | Potential PRC customs duties and indemnity liabilities (Note 5(f)) | Onerous contracts (Note (i)) | Total |
|---|---|---|---|
| | *$'000* | *$'000* | *$'000* |
| At 1 April 2018 | 120,266 | - | 120,266 |
| Provisions 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 | (179) | - | (179) |
| Reserval of provisions | (120,420) | - | (120,420) |
| Exchange adjustments | 910 | - | 910 |
| At 31 March 2020 | - | - | - |

(i) The provision was made for onerous contracts for certain stores of the Hong Kong operation during the year ended 31 March 2019. 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”.

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 April 2019 to recognise lease liabilities relating to leases where were previously classified as operating leases under HKAS 17, including the leases of retail stores for which the provision for onerous contracts was made at 31 March 2019,

## 12. Non-adjusting event after the reporting period

The current adverse situation caused by the COVID-19 pandemic is unseen in the industry ever before. The Group expected its operating results will be further deteriorated in the coming year when deeper impact from the pandemic will be realised.

Given the unpredictability of future developments brought by the pandemic, it is difficult for management to precisely assess the financial impact on the Group's financial performance at this stage. The Group will closely monitor the development of the outbreak and minimise the impact on the financial position and operating results of the Group by cutting costs and overheads to preserve working capital.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Results of the Group's Operations

The Group's revenue for the year dropped by 25.2% to HK$269,818,000 (2019: HK$360,675,000) and overall gross profit margin declined to 51.6% (2019: 66.8%). Thus, the Group's loss from operations rose to HK$154,540,000 (2019: HK$85,414,000). Major attribute was a 28.4% decrease in wholesale and retail of branded garments, the Group's core business, as a combined result of the weakening of local consumer confidence amid the prolonged social unrest and disturbances since June 2019; the unseasonably warm weather adversely affected the sales of winter clothing items; and the operating conditions for the Group were further aggravated since February 2020 with the outbreak of the COVID-19 pandemic (the "Pandemic"), when the Greater China region, the core market of the Group, where the Group operates encountered semi-lockdown of cities and retailing activities had virtually come to a halt.

The Group took actions, such as offering deeper discounts, to lessen the sales decline and reduce the inventory to a manageable level.

The Group's loss from operations for the year included impairment loss on retail store assets (including the right-of-use assets and property, plant and equipment) of HK$43,199,000 made in accordance with the Hong Kong Accounting Standard 36 because of losses at the Group's retail stores due to drastic decline of sales.

Loss attributable to the equity shareholders of the Company for the year was HK$87,125,000 included net valuation loss on investment properties of HK$35,242,000 (2019: gain of HK$5,330,000) and write-off of deferred tax assets of HK$20,811,000 (2019: HK$5,173,000) but after reversal of provision for potential PRC customs duties and indemnity liabilities and refund of related distrained deposits of HK$126,495,000. The Group reported profit attributable to equity shareholders of HK$90,189,000 for the year ended 31 March 2019 which was principally due to exceptional gains totaling HK$177,843,000 from disposal of an investment property, land and buildings held for own use and the entire issued share capital of a subsidiary.

For the year ended 31 March 2020, the Group used HK$14,896,000 (2019: HK$61,708,000) cash in operations. Inventories as at 31 March 2020 was HK$59,798,000, a decrease of HK$19,902,000 from the previous year end.

As at 31 March 2020, the Group had cash and bank deposits net of bank overdrafts of HK$146,011,000 (2019: HK$315,124,000), representing a decrease of HK$169,113,000 after dividend payments of HK$49,759,000 and a payment of HK$31,392,000 for the purchase of the trademarks and certain related intellectual property assets worldwide associated with the "Ashworth" brand. At 31 March 2020, the Group had trading securities with fair value of HK$18,408,000 (2019: HK$18,310,000).

During the year, the Group spent approximately HK$9,736,000 in additions and replacement of other property, plant and equipment, compared to HK$11,327,000 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 31 March 2020 were HK$557,834,000 (2019: HK$704,568,000). The Group's gearing ratio at the end of the year was 0.210 (31 March 2019: 0.010) which was calculated based on total borrowings of HK$7,485,000 and leases liabilities of HK$105,991,000 (31 March 2019: total borrowings of HK$6,777,000) and shareholders' equity of HK$538,095,000 (31 March 2019: HK$682,314,000). The Group's borrowings are mainly on a floating rate basis.

**Operations Review**

Total sales of garment was HK$201,550,000 (2019: HK$281,360,000) and recorded a loss for the year. As at the end of March 2020, the Group has a distribution network of 86 points of sales ("POSs") in the Group's operating market comprising 43 POSs in Hong Kong, 6 POSs in Macau, 27 POSs in Mainland China, 9 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.

A wholly-owned subsidiary of the Company acquired the trademarks and certain related intellectual property assets worldwide associated with the "Ashworth" brand at a cash consideration of US$4,000,000 (equivalent to approximately HK$31,392,000).

The Group owns the global intellectual property rights of Guy Laroche. Total income of licensing of trademarks from external customers was HK$26,042,000 (2019: HK$30,111,000). The segment recorded a loss for the year.

As at 31 March 2020, the Group holds certain properties held for rental in Hong Kong and London respectively with total fair value of HK$243,112,000 and an industrial building held for own use in Hong Kong with a net book value of HK$7,214,000. Currently, the said industrial building is wholly occupied by security printing section. The re-development plan in respect of the industrial building is still ongoing to maximise the benefits to the Group.

Security printing section slightly improved in sales from the previous year and its segment profit surpassed that of the previous year.

**Human Resources**

As at 31 March 2020, the Group had approximately 440 employees (31 March 2019: 500 employees). The Group offers competitive remuneration packages including medical subsidies and retirement scheme contribution 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 global economic environment is prevailing with uncertainties due to the Sino-US disputes. Furthermore, the Pandemic is raging worldwide which has made the environment extremely difficult. The Group has made all efforts to reduce costs and overheads to preserve working capital. In addition, the Group has made various measures such as improving the staff organisational structure and cost structure with the aim of maintaining the Group's strength for its long term development and enabling the Group to get through this difficult time and recover its profitability soonest possible.

**Dividends**

The Board has resolved not to declare the payment of final dividend for the year ended 31 March 2020 (2019: 20 HK cents per ordinary share).

## CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining the entitlement of the shareholders to attend and vote at the forthcoming annual general meeting, the register of members of the Company will be closed from 15 September 2020 to 18 September 2020 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the right to attend and vote at the forthcoming annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 14 September 2020.

## CORPORATE GOVERNANCE

The Company had compiled with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the year ended 31 March 2020.

Under Code Provision A.4.1, non-executive directors (including independent non-executive directors) should be appointed for a specific term, subject to re-election. However, the non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election in accordance with the Company's articles of association.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a Securities Dealing Code regarding directors' securities transactions on terms no less exacting than the 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

To comply with the revised Code of Best Practice as set out in Appendix 14 to the Listing Rules, the Company set up an audit committee (the "Audit Committee") with written terms of reference, for the purposes of reviewing and providing supervision on the financial reporting process and internal control of the Group. The Audit Committee comprises three Independent Non-executive Directors.

The Audit Committee is mainly responsible for monitoring the integrity of the Company's consolidated financial statements, reviewing the Company's internal control system and its execution through the review of the work undertaken by the external auditors, evaluating financial information and related disclosure and reviewing connected transactions.

The Audit Committee has reviewed with management the consolidated financial statements for the year ended 31 March 2020, including the accounting policies and practices adopted by the Group and discussed internal controls and financial reporting matters.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company has not redeemed any of its shares during the year ended 31 March 2020. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

## PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The results announcement is published on the website of Hong Kong Exchange and Clearing Limited at www.hkexnews.hk and the website of the Company at www.ygmtrading.com under "Results Announcement". The annual report for the year ended 31 March 2020 will be dispatched to the shareholders and published on the above websites in due course.

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

Hong Kong, [29 June 2020]

*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.*