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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 2020

The Board of Directors of YGM Trading Limited (“the Company”) hereby announces the unaudited interim results of the Company and its subsidiaries (together referred to as “the Group”) for the six months ended 30 September 2020 as follows. The interim results have not been audited, but have been reviewed by the Company’s Audit Committee.

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS – UNAUDITED

(Expressed in Hong Kong dollars)

		Six months ended 30 September	
		2020	2019
	Note	\$'000	\$'000
<b>Revenue</b>	3 & 4	<b>90,386</b>	140,918
Cost of sales and direct costs		<b>(45,955)</b>	(51,568)
<b>Gross profit</b>		<b>44,431</b>	89,350
Other net income/(loss)		<b>15,110</b>	(6,816)
Distribution costs		<b>(42,102)</b>	(86,557)
Administrative expenses		<b>(30,222)</b>	(38,913)
Other operating expenses		<b>(2,422)</b>	(5,289)
<b>Loss from operations</b>		<b>(15,205)</b>	(48,225)
Finance costs	5(a)	<b>(1,570)</b>	(2,452)
<b>Loss before taxation</b>	5	<b>(16,775)</b>	(50,677)
Income tax	6	<b>(713)</b>	(5,376)
<b>Loss for the period</b>		<b>(17,488)</b>	(56,053)
<b>Attributable to :</b>			
Equity shareholders of the Company		<b>(16,568)</b>	(55,345)
Non-controlling interests		<b>(920)</b>	(708)
<b>Loss for the period</b>		<b>(17,488)</b>	(56,053)
<b>Loss per share</b>	8		
Basic and diluted		<b>(10.0 cents)</b>	(33.4 cents)

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)*

	<b>Six months ended 30 September</b>	
	<b>2020</b>	2019
	<b>\$'000</b>	\$'000
<b>Loss for the period</b>	<b>(17,488)</b>	(56,053)
<b>Other comprehensive income for the period (after tax and reclassification adjustments)</b>		
<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>3,056</u>	<u>(6,661)</u>
Other comprehensive income for the period	<u>3,056</u>	<u>(6,661)</u>
<b>Total comprehensive income for the period</b>	<u><b>(14,432)</b></u>	<u>(62,714)</u>
<b>Attributable to :</b>		
Equity shareholders of the Company	(13,512)	(62,006)
Non-controlling interests	<u>(920)</u>	<u>(708)</u>
<b>Total comprehensive income for the period</b>	<u><b>(14,432)</b></u>	<u>(62,714)</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION – UNAUDITED**

*(Expressed in Hong Kong dollars)*

		<b>30 September</b>	31 March
		<b>2020</b>	2020
	Note	<b>\$'000</b>	<b>\$'000</b>
<b>Non-current assets</b>			
Investment properties		249,701	243,112
Other property, plant and equipment		49,697	62,552
		<u>299,398</u>	<u>305,664</u>
Intangible assets		133,442	133,442
Rental deposits		4,170	9,959
Deferred tax assets		4,213	4,226
		<u>441,223</u>	<u>453,291</u>
<b>Current assets</b>			
Trading securities		15,843	18,408
Inventories		40,143	59,798
Trade and other receivables	9	52,129	39,433
Current tax recoverable		1,101	706
Cash and cash equivalents		137,943	153,496
		<u>247,159</u>	<u>271,841</u>
<b>Current liabilities</b>			
Bank overdrafts		10,779	7,485
Trade and other payables and contract liabilities	10	52,014	52,205
Lease liabilities		42,203	59,017
Current tax payable		863	337
		<u>105,859</u>	<u>119,044</u>
<b>Net current assets</b>		<u>141,300</u>	<u>152,797</u>
<b>Total assets less current liabilities</b>		<u>582,523</u>	<u>606,088</u>
<b>Non-current liabilities</b>			
Lease liabilities		37,852	46,974
Deferred tax liabilities		1,306	1,280
		<u>39,158</u>	<u>48,254</u>
<b>NET ASSETS</b>		<u>543,365</u>	<u>557,834</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		383,909	383,909
Reserves		140,674	154,186
<b>Total equity attributable to equity shareholders of the Company</b>		<u>524,583</u>	<u>538,095</u>
<b>Non-controlling interests</b>		<u>18,782</u>	<u>19,739</u>
<b>TOTAL EQUITY</b>		<u>543,365</u>	<u>557,834</u>

**Notes:**

(Expressed in Hong Kong dollars)

**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 2020.

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 2020, 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 2021. 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 2020 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 2020. 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 2020 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 2020 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 2020. 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 Group has not applied any new standard or interpretation issued by HKICPA that is not yet effective for the current accounting period other than the amendments to HKFRS 16, *Covid-19-Related Rent Concessions*. Impacts of the adoption of the amended HKFRSs are discussed below:

**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 modification and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the year ended 31 March 2020. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period which the event or condition that triggers those payments occurred.

### 3. Segment reporting

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

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

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

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

	Sales of garments		Licensing of trademarks		Printing and related services		Property rental		Total	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
For the six months ended										
Revenue from external customers	63,724	105,533	7,669	12,492	15,554	17,632	3,439	5,261	90,386	140,918
Inter-segment revenue	-	-	2,100	-	62	124	1,212	1,200	3,374	1,324
<b>Reportable segment revenue</b>	<b>63,724</b>	<b>105,533</b>	<b>9,769</b>	<b>12,492</b>	<b>15,616</b>	<b>17,756</b>	<b>4,651</b>	<b>6,461</b>	<b>93,760</b>	<b>142,242</b>
<b>Reportable segment (loss)/profit (adjusted EBITDA)</b>	<b>(4,872)</b>	<b>(3,656)</b>	<b>626</b>	<b>(3,538)</b>	<b>4,537</b>	<b>3,393</b>	<b>320</b>	<b>2,652</b>	<b>611</b>	<b>(1,149)</b>
As at 30 September / 31 March										
<b>Reportable segment assets</b>	<b>462,114</b>	<b>471,687</b>	<b>147,764</b>	<b>146,819</b>	<b>22,604</b>	<b>21,633</b>	<b>251,815</b>	<b>246,550</b>	<b>884,297</b>	<b>886,689</b>
<b>Reportable segment liabilities</b>	<b>448,649</b>	<b>459,208</b>	<b>19,726</b>	<b>18,407</b>	<b>7,166</b>	<b>5,919</b>	<b>14,653</b>	<b>13,592</b>	<b>490,194</b>	<b>497,126</b>

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

(b) Reconciliations of reportable segment profit or loss

	Six months ended 30 September	
	2020	2019
	\$'000	\$'000
Reportable segment profit/(loss)	611	(1,149)
Elimination of inter-segment profits	<u>(1,400)</u>	<u>(1,194)</u>
Reportable segment loss derived from the Group's external customers	(789)	(2,343)
Other net (loss)/income	(292)	1,402
Depreciation	(17,146)	(36,110)
Finance costs	(1,570)	(2,452)
Unallocated head office and corporate income/(expenses)	<u>3,022</u>	<u>(11,174)</u>
Consolidated loss before taxation	<u><u>(16,775)</u></u>	<u><u>(50,677)</u></u>

#### 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 2020, the sales of garments division reported reportable segment revenue of \$159,741,000 (twelve months ended 30 September 2019: \$257,457,000) and reportable segment loss of \$33,170,000 (twelve months ended 30 September 2019: \$35,747,000).

#### 5. Loss before taxation

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

	Six months ended 30 September	
	2020	2019
	\$'000	\$'000
(a) Finance costs		
Interest expense on bank overdrafts	74	38
Interest on lease liabilities	<u>1,496</u>	<u>2,414</u>
	<u><u>1,570</u></u>	<u><u>2,452</u></u>
(b) Other items		
Depreciation		
- owned property, plant and equipment	1,829	5,896
- right-of-use assets	15,317	30,214
Inventories write-down and losses net of reversals	5,813	1,464
Net exchange (gain)/loss	(4,604)	10,147
Net realised and unrealised gain on trading securities	(36)	(9)
Government subsidy income (note)	(10,120)	-
Interest income	<u>(324)</u>	<u>(1,642)</u>

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

## 6. Income tax

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

	Six months ended 30 September	
	2020	2019
	\$'000	\$'000
Current tax - Hong Kong Profits Tax	549	729
Deferred taxation	164	4,647
	<u>713</u>	<u>5,376</u>

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2019: 16.5%) to the six months ended 30 September 2020.

Taxation for overseas subsidiaries is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant countries.

## 7. Dividends

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

	Six months ended 30 September	
	2020	2019
	\$'000	\$'000
Interim dividend declared after the interim period of nil (2019: 10.0 cents) per ordinary share	-	16,586

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

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

Final dividends of 20.0 cents per ordinary share in respect of the year ended 31 March 2019 amounted to \$33,173,000 was proposed by the directors on 24 June 2019 and was approved in the Company's Annual General Meeting on 18 September 2019. The dividends were paid on 4 October 2019.

## 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 \$16,568,000 (six months ended 30 September 2019: \$55,345,000) and the weighted average of 165,864,000 ordinary shares (2019: 165,864,000 ordinary shares) in issue during the interim period.

(b) *Diluted loss per share*

There were no dilutive potential ordinary shares outstanding during six months ended 30 September 2020 and 2019. Accordingly, the diluted loss per share is the same as basic loss per share.

## 9. Trade and other receivables

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

	<b>30 September</b>	31 March
	<b>2020</b>	2020
	<b>\$'000</b>	<b>\$'000</b>
Within 1 month	<b>8,563</b>	12,186
Over 1 month but within 2 months	<b>3,126</b>	1,261
Over 2 months but within 3 months	<b>1,849</b>	774
Over 3 months but within 12 months	<b>5,456</b>	2,838
Over 12 months	<b>2,900</b>	345
Trade debtors, net of loss allowance	<b>21,894</b>	17,404
Deposits, prepayments and other receivables	<b>30,235</b>	22,029
	<b>52,129</b>	39,433

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

## 10. Trade and other payables and contract liabilities

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

	<b>30 September</b>	31 March
	<b>2020</b>	2020
	<b>\$'000</b>	<b>\$'000</b>
<b>Trade and other payables</b>		
Within 1 month	<b>8,506</b>	13,425
Over 1 month but within 3 months	<b>4,153</b>	2,613
Over 3 months but within 6 months	<b>3,345</b>	904
Over 6 months	<b>79</b>	549
Trade creditors and bills payable	<b>16,083</b>	17,491
Other payables and accrued charges	<b>32,310</b>	30,075
Amounts due to related companies	<b>303</b>	982
	<b>48,696</b>	48,548
<b>Contract liabilities</b>		
Receipts in advance	<b>3,318</b>	3,657
	<b>52,014</b>	52,205

## INTERIM DIVIDEND

The Board has resolved not to declare the payment of interim dividend for the six months ended 30 September 2020 (2019: 10.0 HK cents).

## **BUSINESS REVIEW AND PROSPECTS**

The Group's revenue for the period dropped by 35.9% to HK\$90,386,000 (2019: HK\$140,918,000). Major attribute was 39.6% decrease in wholesale and retail of branded garments, the Group's core business, as a result of the outbreak of the COVID-19 pandemic (the "Pandemic") in late January 2020. The Group's point of sales ("POSs") in Mainland China started to resume operations from late March after a shut down in February and March as measures to control the Pandemic. Mainland China is recovering and the Group recorded a marginal drop in sales. In Hong Kong, most of the Group's POSs stayed open but suffered seriously due to significant decline in visitors from oversea and Mainland China. After the period end, Mainland China improved further over last year same period and Hong Kong showed sign of improvement despite very low visitor arrival.

As at the end of September 2020, the Group has a distribution network of 86 POSs comprising 41 POSs in Hong Kong, 5 POSs in Macau, 32 POSs in Mainland China and 8 POSs in Taiwan. The Group will remain prudent with regard to store network expansion; in particular, the expansion of the newly acquired "Ashworth", the iconic golf brand, in Mainland China.

The Group owns the global intellectual property rights of Guy Laroche. Guy Laroche in Europe suffered greatly from the Pandemic. Total licensing of trademarks income was HK\$7,669,000 (2019: HK\$12,492,000). The management embarked drastic cost cutting there.

Total revenue from security printing dropped to HK\$15,554,000 (2019: HK\$17,632,000).

Total rental income decreased because certain investment properties were vacate during the period. The management is considering measures, such as rent concession, to assist tenants of the Group's investment properties in the time of the Pandemic.

Overall gross profit margin declined to 49.2% (2019: 63.4%) due to offering deeper discounts to lessen the sales decline and reduce the inventory to a manageable level. The Group's loss from operations improved to HK\$15,205,000 from HK\$48,225,000 for last year same period resulted from exceptional gains in this period including government subsidy income of HK\$10,120,000; rent concession of HK\$8,547,000 and exchange gain of HK\$4,604,000 (2019: exchange loss of HK\$10,147,000).

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

## **LIQUIDITY AND FINANCIAL POSITION**

The Group financed its operations by internally generated cashflows and banking facilities provided by its bankers. The Group continues to maintain a prudent approach in managing its financial requirements.

As at 30 September 2020, the Group had cash and bank deposits net of bank overdrafts of HK\$127,164,000 (31 March 2020: HK\$146,011,000) and held trading securities at fair value of HK\$15,843,000 (31 March 2020: HK\$18,408,000).

During the period, the Group spent approximately HK\$246,000 in additions and replacement of owned property, plant and equipment, compared to HK\$8,242,000 for the last year same period.

The Group's net assets as at 30 September 2020 were HK\$543,365,000 (31 March 2020: HK\$557,834,000). The Group's gearing ratio at the end of the reporting period was 0.173 (31 March 2020: 0.211) which was calculated based on total borrowings of HK\$10,779,000 (31 March 2020: HK\$7,485,000) and lease liabilities of HK\$80,055,000 (31 March 2020: HK\$105,991,000) and shareholders' equity of HK\$524,583,000 (31 March 2020: HK\$538,095,000). The Group's borrowings are mainly on a floating rate basis.

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

## **EMPLOYMENT AND REMUNERATION POLICIES**

As at 30 September 2020, the Group had approximately 415 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 2020.

## **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 2020.

## **CORPORATE GOVERNANCE PRACTICES**

In the opinion of the Board, the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2020, 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](http://www.hkexnews.hk) and the website of the Company at [www.ygmtrading.com](http://www.ygmtrading.com) under "Results Announcement". The interim report for the six months ended 30 September 2020 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, 27 November 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.*