# YGM TRADING LIMITED

*(incorporated in Hong Kong with limited liability)*

**(Stock Code : 00375)**

## ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

**Interim Results**

The Board of Directors of YGM Trading Limited (the "Company") is pleased to announce that the unaudited interim results of the Company and its subsidiaries and associates (collectively the "Group") for the six months ended 30 September 2010 as follows. The interim results have not been audited but have been reviewed by the Company's Audit Committee.

**Consolidated Income Statement - Unaudited**
*(Expressed in Hong Kong dollars)*

| | | Six months ended 30 September | |
|---|---|---|---|
| | | **2010** | 2009 |
| | Note | ***$'000*** | *$'000* |
| **Turnover** | 3 | **474,509** | 411,058 |
| Cost of sales | | **(161,637)** | (151,395) |
| **Gross profit** | | **312,872** | 259,663 |
| Other revenue | | **4,015** | 5,329 |
| Other net income/(loss) | | **4,236** | (699) |
| Distribution costs | | **(159,477)** | (156,097) |
| Administrative expenses | | **(73,497)** | (68,820) |
| Other operating expenses | | **(1,976)** | (708) |
| **Profit from operations** | | **86,173** | 38,668 |
| Finance costs | | **(460)** | (345) |
| Share of profits less losses of associates | | **17,612** | 8,858 |
| **Profit before taxation** | 4 | **103,325** | 47,181 |
| Income tax | 5 | **(13,427)** | (6,282) |
| **Profit for the period** | | **89,898** | 40,899 |
| **Attributable to :** | | | |
| Equity shareholders of the Company | | **89,914** | 41,672 |
| Minority interests | | **(16)** | (773) |
| **Profit for the period** | | **89,898** | 40,899 |
| **Earnings per share** | 7 | | |
| Basic | | **58.4 cents** | 27.1 cents |
| Diluted | | **58.4 cents** | 27.1 cents |

**Consolidated Statement of Comprehensive Income - Unaudited**
*(Expressed in Hong Kong dollars)*

| | Six months ended 30 September | |
|---|---|---|
| | **2010** | 2009 |
| | ***$'000*** | *$'000* |
| **Profit for the period** | **89,898** | 40,899 |
| **Other comprehensive income for the period:** | | |
| Exchange differences on translation of financial statements of subsidiaries based outside Hong Kong | **2,346** | 4,535 |
| Share of exchange reserve of associates | **540** | 9,161 |
| | **2,886** | 13,696 |
| **Total comprehensive income for the period** | **92,784** | 54,595 |
| **Attributable to :** | | |
| Equity shareholders of the Company | **93,486** | 54,616 |
| Minority interests | **(702)** | (21) |
| **Total comprehensive income for the period** | **92,784** | 54,595 |

**Consolidated Balance Sheet - Unaudited**
*(Expressed in Hong Kong dollars)*

| | Note | **At 30 September** | **2010** | At 31 March | 2010 |
|---|---|---|---|---|---|
| | | ***$'000*** | ***$'000*** | *$'000* | *$'000* |
| **Non-current assets** | | | | | |
| Fixed assets | | | | | |
| - Investment properties | | | **63,400** | | 63,400 |
| - Other property, plant and equipment | | | **123,283** | | 122,042 |
| - Interest in leasehold land held for own use under operating lease | | | **5,425** | | 5,384 |
| | | | **192,108** | | 190,826 |
| Intangible assets | | | **286,848** | | 287,238 |
| Lease premium | | | **10,051** | | 9,928 |
| Interest in associates | | | **146,679** | | 139,592 |
| Other financial assets | | | **70,678** | | 69,781 |
| Deferred tax assets | | | **49,934** | | 51,583 |
| | | | **756,298** | | 748,948 |
| **Current assets** | | | | | |
| Trading securities | | **8,705** | | 2,352 | |
| Inventories | | **138,447** | | 102,007 | |
| Trade and other receivables | 8 | **127,068** | | 125,442 | |
| Current tax recoverable | | **407** | | 537 | |
| Cash and cash equivalents | | **216,241** | | 214,550 | |
| | | **490,868** | | 444,888 | |
| **Current liabilities** | | | | | |
| Trade and other payables | 9 | **182,252** | | 168,488 | |
| Bank loans and overdrafts | | **46,130** | | 46,959 | |
| Current tax payable | | **25,060** | | 18,134 | |
| | | **253,442** | | 233,581 | |
| **Net current assets** | | | **237,426** | | 211,307 |
| **Total assets less current liabilities** | | | **993,724** | | 960,255 |
| **Non-current liabilities** | | | | | |
| Bank loans | | **569** | | 1,551 | |
| Deferred tax liabilities | | **14,025** | | 14,234 | |
| | | | **14,594** | | 15,785 |
| **NET ASSETS** | | | **979,130** | | 944,470 |
| **CAPITAL AND RESERVES** | | | | | |
| Share capital | | | **77,223** | | 76,916 |
| Reserves | | | **884,566** | | 845,497 |
| **Total equity attributable to shareholders of the Company** | | | **961,789** | | 922,413 |
| **Minority interests** | | | **17,341** | | 22,057 |
| **TOTAL EQUTIY** | | | **979,130** | | 944,470 |

**Notes to the Financial Statements**
*(Expressed in Hong Kong dollars)*

## 1. Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (the "Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the annual financial statements of the Group for the year ended 31 March 2010, 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 2011. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report 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 report contains consolidated interim financial statements 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 2010. The consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issues by HKICPA.

The financial information relating to the financial year ended 31 March 2010 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 March 2010 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 16 July 2010.

## 2. Principal accounting policies

The HKICPA has issued a number of revised standards, amendments and interpretations to HKFRS that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 3 (revised), 'Business Combinations'
- Amendments to HKAS 27, 'Consolidated and separate financial statements'
- Amendments to HKAS 39, 'Financial instruments: Recognition and measurement – eligible hedged items'
- Improvements to HKFRSs (2009)

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The adoption of improvements to HKFRSs(2009) and the amendments to HKAS 39 do not have a significant impact on the Group's results of operations and financial position. The other developments resulted in changes in accounting policies but none of these changes in policies have a material impact on the current or comparative periods, for the following reasons:

- The impact of the majority of the revisions to HKFRS 3 and HKAS 27 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination or a disposal of a subsidiary) and there is no requirement to restate the amounts recorded in respect of such previous transactions.

— The amendments to HKFRS 3 (in respect of recognition of acquiree's deferred tax assets) and HKAS 27 (in respect of allocation of losses to non-controlling interests (previously known as "minority interests") in excess of their equity interest) have had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets or losses arose in the current period.

**3. Segment reporting**

The Group manages its business 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 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) *Segment results, assets and liabilities*

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of interests in associates, other financial assets, trading securities, club memberships, deferred tax assets, cash and cash equivalents, current tax recoverable and other corporate assets. Segment liabilities include trade and other payables and bank borrowings with the exception of other corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment 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 earnings are further adjusted for items not specifically attributed to individual segments, such as share of profits less losses of associates and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning revenue (including inter-segment revenue), interest income and expenses from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment revenue are priced with reference to prices charged to external parties for similar orders.

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 as below:

| | Sales of garments | | Licensing of trademarks | | Printing and related services | | Property rental | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 | **2010** | 2009 | **2010** | 2009 | **2010** | 2009 |
| | ***$'000*** | *$'000* | ***$'000*** | *$'000* | ***$'000*** | *$'000* | ***$'000*** | *$'000* | ***$'000*** | *$'000* |
| For six months ended 30 September | | | | | | | | | | |
| Revenue from external customers | **411,919** | 364,386 | **42,120** | 30,502 | **19,619** | 15,484 | **851** | 686 | **474,509** | 411,058 |
| Inter-segment revenue | **-** | - | **10,952** | 897 | **826** | 780 | **3,257** | 3,230 | **15,035** | 4,907 |
| **Reportable segment revenue** | **411,919** | 364,386 | **53,072** | 31,399 | **20,445** | 16,264 | **4,108** | 3,916 | **489,544** | 415,965 |
| **Reportable segment profit (adjusted EBITDA)** | **61,539** | 38,791 | **29,872** | 10,843 | **4,325** | 1,411 | **3,822** | 3,658 | **99,558** | 54,703 |
| Interest income from bank deposits | **153** | 96 | **80** | 99 | **-** | 1 | **-** | - | **233** | 196 |
| Interest expense | **-** | (71) | **(460)** | (267) | **-** | - | **-** | - | **(460)** | (338) |
| Depreciation and amortisation | **7,983** | 11,312 | **55** | - | **475** | 457 | **1,289** | 1,065 | **9,802** | 12,834 |

| | **30 September 2010** | 31 March 2010 | **30 September 2010** | 31 March 2010 | **30 September 2010** | 31 March 2010 | **30 September 2010** | 31 March 2010 | **30 September 2010** | 31 March 2010 |
|---|---|---|---|---|---|---|---|---|---|---|
| | ***$'000*** | *$'000* | ***$'000*** | *$'000* | ***$'000*** | *$'000* | ***$'000*** | *$'000* | ***$'000*** | *$'000* |
| **Reportable segment assets** | **276,977** | 291,814 | **334,294** | 328,207 | **17,756** | 34,120 | **131,319** | 63,408 | **760,346** | 717,549 |
| Additions to non-current segment assets during the peiod | **9,369** | 11,811 | **85** | 181,493 | **850** | 535 | **-** | - | **10,304** | 193,839 |
| **Reportable segment liabilities** | **150,894** | 130,664 | **75,149** | 80,942 | **4,786** | 3,633 | **403** | 312 | **231,232** | 215,551 |

*(b) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities*

| | **Six months ended 30 September** | |
|---|---|---|
| | **2010** | 2009 |
| | ***$'000*** | *$'000* |
| **Revenue** | | |
| Reportable segment revenue | **489,544** | 415,965 |
| Elimination of inter-segment revenue | **(15,035)** | (4,907) |
| Consolidated turnover | **474,509** | 411,058 |
| **Profit** | | |
| Reportable segment profit | **99,558** | 54,703 |
| Elimination of inter-segment profits | **(4,192)** | (1,369) |
| Reportable segment profit derived from the Group's external customers | **95,366** | 53,334 |
| Share of profits less losses of associates | **17,612** | 8,858 |
| Other revenue | **4,015** | 5,329 |
| Other net income/(loss) | **4,236** | (699) |
| Depreciation and amortisation | **(9,955)** | (12,942) |
| Finance costs | **(460)** | (345) |
| Unallocated head office and corporate expenses | **(7,489)** | (6,354) |
| Consolidated profit before taxation | **103,325** | 47,181 |

| | 30 September 2010 $'000 | 31 March 2010 $'000 |
|---|---|---|
| **Assets** | | |
| Reportable segment assets | **760,346** | 717,549 |
| Elimination of inter-segment receivables | **(8,837)** | (4,883) |
| | **751,509** | 712,666 |
| Interests in associates | **146,679** | 139,592 |
| Other financial assets | **70,678** | 69,781 |
| Trading securities | **8,705** | 2,352 |
| Club membership | **860** | 860 |
| Deferred tax assets | **49,934** | 51,583 |
| Cash and cash equivalents | **216,241** | 214,550 |
| Current tax recoverable | **407** | 537 |
| Unallocated head office and corporate assets | **2,153** | 1,915 |
| Consolidated total assets | **1,247,166** | 1,193,836 |
| **Liabilities** | | |
| Reportable segment liabilities | **231,232** | 215,551 |
| Elimination of inter-segment payables | **(8,837)** | (4,883) |
| | **222,395** | 210,668 |
| Current tax payable | **25,060** | 18,134 |
| Deferred tax liabilities | **14,025** | 14,234 |
| Unallocated head office and corporate liabilities | **6,556** | 6,330 |
| Consolidated total liabilities | **268,036** | 249,366 |

(c) *Geographic information*

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's fixed assets, intangible assets, lease premium and interests in associates ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of fixed assets and lease premium, the location to which they are managed, in the case of intangible assets, and the location of operations, in the case of interests in associates.

| | **Revenue from external customers Six months ended 30 September** | | **Specified non-current assets** | |
|---|---|---|---|---|
| | **2010** *$'000* | 2009 *$'000* | **30 September 2010** *$'000* | 31 March 2010 *$'000* |
| Hong Kong (place of domicile) | **236,327** | 174,165 | **332,308** | 339,802 |
| Taiwan | **40,604** | 43,625 | **136,664** | 131,277 |
| Other areas of the People's Republic of China | **171,119** | 165,191 | **52,620** | 41,922 |
| Others | **26,459** | 28,077 | **114,094** | 114,583 |
| | **238,182** | 236,893 | **303,378** | 287,782 |
| | **474,509** | 411,058 | **635,686** | 627,584 |

## 4. Profit before taxation

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

| | Six months ended 30 September | |
|---|---|---|
| | **2010** | 2009 |
| | ***$'000*** | *$'000* |
| (a) *Finance costs* | | |
| Interest on bank advances and other borrowings wholly repayable within five years | **460** | 345 |
| (b) *Staff costs* | | |
| Contributions to defined contribution retirement plans | **7,212** | 6,108 |
| Salaries, wages and other benefits | **71,549** | 73,911 |
| | **78,761** | 80,019 |
| (c) *Other items* | | |
| Amortisation of intangible assets | **390** | 390 |
| Depreciation and amortisation on owned assets | **9,955** | 12,552 |
| Share of associates' taxation | **3,150** | 2,364 |
| Net realised and unrealised loss/ (gain) on trading securities | **289** | (866) |
| Interest income | **(1,763)** | (1,229) |
| Dividend income from listed securities | **(7)** | (5) |

## 5. Income tax

The provision for Hong Kong Profits Tax is calculated at 16.5% (2009 : 16.5%) of the estimated assessable profits for the period. Taxation for subsidiaries based outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

| | Six months ended 30 September | |
|---|---|---|
| | **2010** | 2009 |
| | ***$'000*** | *$'000* |
| Current tax - Hong Kong Profits Tax | **7,389** | 2,175 |
| Current tax - Outside Hong Kong | **4,308** | 3,729 |
| Deferred tax relating to the origination and reversal of temporary differences | **1,730** | 378 |
| | **13,427** | 6,282 |

## 6. Dividends

Interim dividends attributable to the period are as follows:

| | Six months ended 30 September | |
|---|---|---|
| | **2010** | 2009 |
| | ***$'000*** | *$'000* |
| Interim dividend declared of 25.0 HK cents (2009: 15.0 HK cents) per share | **40,271** | 23,075 |

The dividends declared after the balance sheet date of the interim period have not been recognised as a liability at the balance sheet date.

## 7. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $89,914,000 (2009: $41,672,000) and the weighted average number of 153,856,382 (2009: 153,831,792) ordinary shares in issue during the period.

(b) Diluted earnings per share

The Company did not have dilutive potential ordinary shares outstanding during both 2010 and 2009. Accordingly, the diluted earnings per share is the same as the basic earnings per share for both 2010 and 2009.

## 8. Trade and other receivables

| | **30 September** | 31 March |
|---|---|---|
| | **2010** | 2010 |
| | ***$'000*** | *$'000* |
| Trade debtors and bills receivable | **91,231** | 92,738 |
| Less : allowance for doubtful debts | **(13,960)** | (12,227) |
| | **77,271** | 80,511 |
| Deposits and prepayments | **48,937** | 44,065 |
| Amounts due from related companies | **-** | 6 |
| Club memberships | **860** | 860 |
| | **127,068** | 125,442 |

All of the Group’s trade and other receivables, apart from deposits and prepayments and club memberships of $30,982,000 (31 March 2010: $23,793,000), are expected to be recovered or recognised as expense within one year.

Included in trade and other receivables are trade debtors and bills receivable (net of impairment losses for bad and doubtful debts) with the following ageing analysis as of the balance sheet date :

| | 30 September 2010 $'000 | 31 March 2010 $'000 |
|---|---|---|
| Current | **62,869** | 51,351 |
| Less than 1 month past due | **5,242** | 18,857 |
| 1 to 3 months past due | **4,759** | 7,393 |
| More than 3 months but less than 12 months past due | **4,401** | 2,910 |
| Amounts past due | **14,402** | 29,160 |
| | **77,271** | 80,511 |

The Group's credit risk is primarily attributable to trade and other receivables, listed debt securities and deposits with banks and other financial institutions. Management has a credit policy in place and exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into current information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 days to 90 days from the date of billing.

## 9. Trade and other payables

| | 30 September 2010 $'000 | 31 March 2010 $'000 |
|---|---|---|
| Trade creditors | **54,811** | 35,649 |
| Bills payable | **1,900** | 5,206 |
| | **56,711** | 40,855 |
| Other payables and accrued charges | **121,255** | 124,444 |
| Amounts due to related companies | **4,286** | 3,189 |
| | **182,252** | 168,488 |

All of the trade and other payables are expected to be settled within one year.

Included in trade and other payables are trade creditors and bills payable with the following ageing analysis as of the balance sheet date :

| | 30 September 2010 $'000 | 31 March 2010 $'000 |
|---|---|---|
| Due within 1 month or on demand | **31,421** | 26,508 |
| Due after 1 month but within 3 months | **21,202** | 11,956 |
| Due after 3 months but within 6 months | **1,969** | 1,035 |
| Due after 6 months but within 12 months | **2,119** | 1,356 |
| | **56,711** | 40,855 |

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business review

The following is a summary of the operating results of the Group.

| | Six months ended 30 September | | |
|---|---|---|---|
| | **2010** | 2009 | **+/(-)** |
| | ***HK$'000*** | *HK$'000* | **change** |
| Turnover | **474,509** | 411,058 | 15.4% |
| Gross profit | **312,872** | 259,663 | 20.5% |
| Gross margin | **65.9%** | 63.2% | 2.7 pp |
| Profit from operations | **86,173** | 38,668 | 122.9% |
| Operating margin | **18.2%** | 9.4% | 8.8 pp |
| Share of profits less losses of associates | **17,612** | 8,858 | 98.8% |
| Profit attributable to equity shareholders of the Company | **89,914** | 41,672 | 115.8% |
| Net profit margin | **18.9%** | 10.1% | 8.8 pp |

The Group completed the acquisition of all right, title and interest in the intellectual property rights of "AQUASCUTUM" in relation to 42 countries and regions in Asia ("AQUASCUTUM" intellectual property rights) on 8 September 2009. The favourable impact on the operating results of the Group was significant in the period as a result of savings in royalty expenses which were significant in previous years together with additional royalty income from licensing "AQUASCUTUM" trademarks.

Turnover of the Group increased by 15.4% to HK$474,509,000 (2009: HK$411,058,000). The Group's principal business, which is mainly retailing and wholesaling of branded garments in the Greater China region, increased by 13.0% to HK$411,919,000 (2009: HK$364,386,000). And, total income of licensing of trademarks from external customers increased by 38.0% to HK$42,120,000 (2009: HK$30,502,000) due to additional income from licensing of "AQUASCUTUM" trademarks.

Profit from operations surged by 122.9% from HK$38,668,000 for the previous year same period to HK$86,173,000. Total gross profit increased by 20.5% to HK$312,872,000 (2009: HK$259,663,000) which was mainly resulted from our focus on limiting markdowns of sales of garments, the Group's principal business. Hence, overall gross margin improved to 65.9%, representing 2.7 percentage points increase from 63.2% of last year. Another attributes were savings in royalty expenses and additional royalty income after completion of the acquisition of "AQUASCUTUM" intellectual property rights.

Total selling and distribution expenses increased from HK$156,097,000 for the previous year same period to HK$159,477,000. In addition, total administrative expenses increased to HK$73,497,000 (2009 : HK$68,820,000).

Profit attributable to equity shareholders of the Company for the period was HK$89,914,000 (2009 : HK$41,672,000) which included an unrealized loss on valuation of trading securities at fair value of HK$289,000 in the period as against an unrealized gain of HK$866,000 in the previous year same period. In addition, a share of profit of an associate, Hang Ten Group Holdings Limited, amounting to HK$17,612,000 recorded in the period which increased by 98.8% from HK$8,858,000 of last year same period.

Basic earning per share increased by 115.5% to 58.4 HK cents (2009: 27.1 HK cents).

*Sales of garments*
Our Group's principal business, which is mainly retailing and wholesaling of branded garments in the Greater China region, increased by 13.0% to HK$411,919,000 (2009: HK$364,386,000). Hence, total segment profit increased by 58.8% from HK$38,791,000 for last year same period to HK$61,593,000.

As of September 2010, the Group has 159 “AQUASCUTUM” outlets, 75 “ASHWORTH” outlets and 59 “MICHEL RENE” outlets in the Greater China region and South East Asia. And, the Group also has 1 “GUY LAROCHE” outlet in Europe.

The Group entered into an exclusive distribution and licensing agreement with J.Lindeberg AB of Sweden for the exclusive rights to market and sell products bearing “J.LINDEBERG” in Hong Kong, Macau and Mainland China. The first “J.LINDEBERG” outlet was opened in Hong Kong in September.

| | **Breakdown of outlets by geographical locations** | | |
|---|---|---|---|
| | **As at 30 September 2010** | As at 31 March 2010 | +/(-) outlets |
| **Geographical locations** | | | |
| Hong Kong | **48** | 45 | 3 |
| Macau | **8** | 8 | 0 |
| Other areas of the People's Republic of China | **194** | 198 | -4 |
| Taiwan | **32** | 39 | -7 |
| Europe | **1** | 1 | 0 |
| South East Asian countries | **12** | 12 | 0 |
| Total | **295** | 303 | -8 |

*Licensing of trademark*
As a result of completion of the acquisition of “AQUASCUTUM” intellectual property rights in last year September, total income of licensing of trademarks from external customers increased from HK$30,502,000 of last year same period to HK$42,120,000.

The Group also owns the global intellectual property rights of “GUY LAROCHE”. The French subsidiary reported a profit for the period under review with a slight decrease in income of licensing of trademarks from external customers.

*Other business*
The Group owns 20.48% of the issued shares of Hang Ten Group Holdings Limited which reported a significant increase in both sales and operating profit. Hence, the Group accounted for a share of profit of HK$17,160,000 for the period (2009: HK$8,858,000).

With our efforts on controlling costs, our manufacturing plant in Dongguan reported a profit for the period with an increase in turnover. Our security printing business reported a segment profit of HK$4,325,000 (2009: HK$1,411,000). Rental income from industrial building is steady.

**Prospects**
Improvement of our Group’s results was caused mainly by the strong growth in consumers’ spending in Mainland China. We believe that this trend will continue and our Group has positioned ourselves to be benefited by this situation. Since acquiring the intellectual property rights of “AQUASCUTUM” in relation to 42 countries and regions in Asia late last year, we have invested and expanded in this brand new product lines, opening more retail outlets in the Greater China region as well as seeking opportunities in other markets in Asia. Our new “J.LINDEBERG” brand have performed well since its recent store opening in Hong Kong. Overall, we are positive in the growth potential of the Group in the current environment.

**Capital expenditure**
During the period, the Group spent approximately HK$10,304,000 in recurring additions and replacement of fixed assets, compared to HK$6,681,000 for the previous year.

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

For the period ended 30 September 2010, the Group generated HK$64,640,000 (2009: HK$88,706,000) of cash from operations. As at 30 September 2010, the Group had cash and bank deposits net of overdrafts and short-term bank loans of HK$170,111,000, a slight increase from HK$167,591,000 as at 31 March 2010 after a payment of dividend of HK$61,533,000 during the period. At 30 September 2010, the Group had trading securities which were readily convertible into cash with a fair value of HK$8,705,000.

The Group's net assets as at 30 September 2010 were HK$979,130,000 as compared with HK$944,470,000 as at 31 March 2010. The Group's gearing ratio at the year end was 0.049 (31 March 2010: 0.053) which was calculated based on total borrowings of HK$46,699,000 (31 March 2010: HK$48,510,000) and shareholders' equity of HK$961,789,000 (31 March 2010: HK$922,413,000). 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's income and expenditure streams are mainly denominated in Hong Kong Dollars, New Taiwan Dollars, Pounds Sterling, Euros, Renminbi and Macau Pataca. To manage currency risks, non Hong Kong Dollar assets are financed primarily by matching local currency debts as far as possible.

As at 30 September 2010, the Company issued guarantees to banks to secure banking facilities of subsidiaries amounting to HK$184,350,000 (31 March 2010: HK$181,084,000. The maximum liability of the Company at the balance sheet date under the guarantees issued is the amount of banking facilities drawn down by the relevant subsidiaries amounting to HK$47,371,000 (31 March 2010: HK$55,353,000).

**Share option scheme**

On 23 September 2004, the Company adopted a share option scheme (the "Share Option Scheme") which will remain in force until 22 September 2014. Pursuant to the terms of the Share Option Scheme, the Company may grant options to eligible participants including directors and employees of the Group to subscribe for shares in the Company, subject to a maximum of 15,469,879 new shares.

During the period, no share options were granted to directors and employees of the Group. 614,000 options were exercised during the period and shares of the Company were allotted and issued.

**Human resources**

As at 30 September 2010, the Group had approximately 2,000 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 and share options may also be granted to the eligible employees based on the Group's and individuals' performances.

## INTERIM DIVIDEND

The Directors have resolved to pay an interim dividend of 25.0 HK cents (2009: 15.0 HK cents) per share for the six months ended 30 September 2010 to shareholders whose names appears on the register of members of the Company as at the close of business on 15 December 2010. The interim dividend will be despatched to shareholders on 21 December 2010.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 10 December 2010 to 15 December 2010, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by no later than 4:30 p.m. on Thursday, 9 December 2010.

## CORPOARTE GOVERNANCE

In the opinion of the Board, the Company has compiled throughout the period ended 30 September 2010 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 three 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 2010.

**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 2010.

By order of the Board
**YGM TRADING LIMITED**
**Chan Wing Fui, Peter**
*Chairman*

Hong Kong, 24 November 2010

*As at the date of this announcement the Board comprises seven executive Directors, namely Dr. Chan Sui Kau, Mr. Chan Wing Fui, Peter, Mr. Chan Wing Sun, Samuel, Madam Chan Suk Ling, Shirley, Mr. Fu Sing Yam, William, Mr. Chan Wing Kee and Mr. Chan Wing To; and three independent non-executive Directors, namely Mr. Leung Hok Lim, Mr. Lin Keping and Mr. Sze Cho Cheung, Michael.*