

YGM TRADING LIMITED

(Incorporated in Hong Kong with limited liabilities)

(Stock Code : 00375)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

The Board of Directors of YGM Trading Limited (the “Company”) is pleased to announce that the unaudited consolidated interim results of the Company and its subsidiaries and associates (the “Group”) for the six months ended 30 September 2008 together with the comparative figures for the corresponding period and selected explanatory notes are as follows :

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

(Expressed in Hong Kong dollars)

		Six months ended 30 September	
	Note	2008 (Unaudited) \$'000	2007 (Unaudited) \$'000
Turnover	3	437,534	490,182
Cost of sales		<u>(177,572)</u>	<u>(189,926)</u>
Gross profit		259,962	300,256
Other revenue		4,577	6,716
Other net (loss)/ income		(998)	8,161
Distribution costs		(174,368)	(189,519)
Administrative expenses		(73,956)	(82,024)
Other operating expenses		<u>(935)</u>	<u>(2,350)</u>
Profit from operations		14,282	41,240
Valuation deficit on investment properties		(3,400)	-
Finance costs		(1,139)	(3,118)
Share of profits less losses of associates		<u>7,577</u>	<u>9,912</u>
Profit before taxation	4	17,320	48,034
Income tax	5	<u>(1,292)</u>	<u>(1,910)</u>
Profit for the period		<u>16,028</u>	<u>46,124</u>
Attributable to :			
Equity shareholders of the Company		17,092	47,192
Minority interests		<u>(1,064)</u>	<u>(1,068)</u>
Profit for the period		<u>16,028</u>	<u>46,124</u>
Dividend - interim declared	6	<u>15,383</u>	<u>19,998</u>
Earnings per share			
Basic	7	<u>11.1 cents</u>	<u>30.7 cents</u>
Diluted		<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED BALANCE SHEET

(Expressed in Hong Kong dollars)

		At 30 September 2008		At 31 March 2008
	Note	(Unaudited)		(Audited)
		\$'000	\$'000	\$'000
Non-current assets				
Fixed assets				
- Investment properties		62,900		66,300
- Other property, plant and equipment		133,054		129,017
- Interest in leasehold land held for own use under operating lease		<u>5,617</u>		<u>5,571</u>
		201,571		200,888
Intangible assets				
Lease premium		10,611		11,696
Interest in associates		109,662		128,150
Other financial assets		34,045		35,128
Deferred tax assets		<u>61,145</u>		<u>65,006</u>
		525,133		549,357
Current assets				
Trading securities		4,719		11,923
Inventories		178,584		137,709
Trade and other receivables	8	129,834		138,686
Cash and cash equivalents		202,373		276,633
Current tax recoverable		<u>1,803</u>		<u>3,406</u>
		517,313		568,357
Current liabilities				
Trade and other payables	9	217,323		188,640
Bank loans and overdrafts		30,644		38,942
Current tax payable		<u>9,830</u>		<u>9,892</u>
		257,797		237,474
Net current assets		259,516		330,883
Total assets less current liabilities		784,649		880,240
Non-current liabilities				
Bank loans		4,809		6,406
Deferred tax liabilities		<u>12,925</u>		<u>13,657</u>
		17,734		20,063
NET ASSETS		766,915		860,177
CAPITAL AND RESERVES				
Share capital		76,916		76,916
Reserves		<u>670,451</u>		<u>761,649</u>
Total equity attributable to shareholders of the Company		747,367		838,565
Minority interests		<u>19,548</u>		<u>21,612</u>
TOTAL EQUITY		766,915		860,177

Notes to the Condensed Consolidated Financial Statements

(Expressed in Hong Kong dollars)

1. Basis of preparation

These condensed consolidated interim financial statements are unaudited and have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

2. Principal accounting policies

The principal accounting policies adopted are consistent with those used in the preparation of the annual financial statements of the Group for the year ended 31 March 2008.

In the current interim period, the Group has applied, for the first time, amendments and new interpretations (“new HKFRSs”) issued by HKICPA, which are effective for the Group’s financial year beginning on 1 April 2008.

The adoption of these new HKFRSs had no material effect on the results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

Certain new standards, amendments and interpretations to existing standards have been issued that are relevant to the business of the Group and are not yet effective for the current accounting period. The Group has not early adopted these new standards, amendments and interpretations. The Group is in the process of making an assessment of what the impact of these new standards, amendments and interpretations is expected to be in the period in initial application. So far it has concluded that the adoption of them is unlikely to have a material effect on the results and financial position of the Group.

3. Segment reporting

Segment information is presented in respect of the Group’s business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group’s internal financial reporting.

Business segments

The Group comprises the following main business segments :

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

	Sales of garments		Royalty and related income		Printing and related services		Property rental		Inter-segment elimination		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	386,477	435,889	30,114	31,329	18,776	19,841	2,167	3,123	-	-	437,534	490,182
Inter-segment revenue	-	-	-	625	1,391	1,339	3,199	3,141	(4,590)	(5,105)	-	-
Total	386,477	435,889	30,114	31,954	20,167	21,180	5,366	6,264	(4,590)	(5,105)	437,534	490,182
Segment result	11,640	22,822	2,015	2,395	3,331	4,321	2,759	3,525			19,745	33,063
Inter-segment transactions	1,633	1,538	-	(63)	101	99	(1,734)	(1,574)			-	-
Contribution from operations	13,273	24,360	2,015	2,332	3,432	4,420	1,025	1,951			19,745	33,063
Unallocated operating income and expenses											(5,463)	8,177
Profit from operations											14,282	41,240
Valuation loss on investment properties							(3,400)	-			(3,400)	-
Finance costs											(1,139)	(3,118)
Share of profits less losses of associates	7,577	9,912									7,577	9,912
Income tax											(1,292)	(1,910)
Profit after taxation											16,028	46,124

Geographical segments

The Group's business is managed on a worldwide basis, but participates in three principal economic environments. Hong Kong and Macau, Taiwan and other areas of the People's Republic of China (the "PRC") are the major markets for the Group's garment business. Following the acquisition of Societe Guy Laroche in 2005, the Group has a worldwide revenue stream from licensing the Guy Laroche trademark. Hong Kong and Macau is the major market for all of the Group's other businesses.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

	Revenue from external customers	
	2008	2007
	\$'000	\$'000
Hong Kong and Macau	173,370	205,039
Taiwan	46,588	57,546
Other areas of the PRC	169,289	190,519
Others	48,287	37,078
Total	437,534	490,182

4. Profit before taxation

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

	Six months ended 30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	\$'000	\$'000
(a) <i>Finance costs</i>		
Interest on bank advances and other borrowings wholly repayable within five years	<u>1,139</u>	<u>3,118</u>
(b) <i>Staff costs</i>		
Contributions to defined contribution retirement plans	6,806	8,591
Salaries, wages and other benefits	<u>82,872</u>	<u>91,573</u>
	<u>89,678</u>	<u>100,164</u>
(c) <i>Other items</i>		
Amortisation of intangible assets	390	395
Depreciation and amortisation on owned assets	13,544	15,326
Share of associates' taxation	1,933	3,359
Net realised and unrealised loss/(gain) on trading securities	1,246	(7,944)
Interest income	(2,473)	(3,739)
Dividend income from listed securities	<u>(8)</u>	<u>(112)</u>

5. Income tax

The provision for Hong Kong Profits Tax is calculated at 16.5% (2007 : 17.5%) of the estimated assessable profits for the period. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

	Six months ended 30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	\$'000	\$'000
Hong Kong Profits Tax	2,891	4,633
Overseas taxation	(988)	3,899
Deferred tax relating to the origination and reversal of temporary differences	<u>(611)</u>	<u>(6,622)</u>
	<u>1,292</u>	<u>1,910</u>

6. Dividend

Interim dividend attributable to the period are as follows:

	Six months ended 30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	\$'000	\$'000
Interim dividend declared of 10.0 HK cents (2007 : 13.0 HK cents) per share	<u>15,383</u>	<u>19,998</u>

The dividend 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 \$17,092,000 (2007 : \$47,192,000) and the weighted average of 153,831,792 ordinary shares (2007 : 153,831,792 ordinary shares) in issue during the period.

(b) Diluted earnings per share

Diluted earnings per share for the period is not shown as the potential ordinary shares are anti-dilutive.

8. Trade and other receivables

	30 September	31 March
	2008	2008
	\$'000	\$'000
Debtors, bills receivable, deposits and prepayments	128,103	133,944
Amounts due from related companies	871	3,882
Club memberships	<u>860</u>	<u>860</u>
	<u>129,834</u>	<u>138,686</u>

All of the trade and other receivables, apart from club memberships and deposits of \$860,000 (31 March 2008 : \$860,000) and \$31,622,000 (31 March 2008 : \$32,472,000) respectively, are expected to be recovered 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	31 March
	2008	2008
	\$'000	\$'000
Current	49,374	66,522
1 to 3 months	5,983	4,798
More than 3 months but less than 12 months	1,133	1,245
	<u>56,490</u>	<u>72,565</u>

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	31 March
	2008	2008
	\$'000	\$'000
Bills payable	-	1,995
Creditors and accrued charges	208,371	179,586
Amounts due to related companies	8,952	7,059
	<u>217,323</u>	<u>188,640</u>

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	31 March
	2008	2008
	\$'000	\$'000
Due within 1 month or on demand	53,322	23,977
Due after 1 month but within 3 months	23,256	27,929
Due after 3 months but within 6 months	643	1,259
Due after 6 months but within 12 months	-	1,438
	<u>77,221</u>	<u>54,603</u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

The Group's turnover decreased to HK\$437,534,000 for the period ended 30 September 2008, a decline of 10.7% when compared with the corresponding period of 2007.

The Group's gross profit decreased by 13.4% from HK\$300,256,000 for the previous year same period to HK\$259,962,000 for the period under review. Gross profit margin decreased to 59.4% (2007 : 61.3%) due to deeper discounts offered for sale of stocks.

Profit from operations amounted to HK\$14,282,000 (2007 : HK\$41,240,000). An unrealised loss on valuation of trading securities at fair value of HK\$1,342,000 was recorded in the period as against an unrealised gain of HK\$3,974,000 in the previous year. A realised gain on disposal of trading securities of HK\$96,000 (2007 : HK\$3,970,000) was recorded in the period.

A valuation deficit on investment properties of HK\$3,400,000 (2007 : Nil) was recorded in the period under review.

Finance costs for the period decreased to HK\$1,139,000 (2007 : HK\$3,118,000) which was mainly due to a decrease in bank loans.

Profit attributable to equity shareholders of the Company for the period was HK\$17,092,000 (2007 : HK\$47,192,000).

BUSINESS REVIEW

Sales of Garments

The half year turnover of core business of the Group, which is sales of garment, decreased from HK\$435,889,000 for the previous year to HK\$386,477,000. Part of such decrease was a result of the discontinuation of our marketing of Guy Laroche and Charles Jourdan lines in Mainland China, Hong Kong and Taiwan. Aquascutum in Mainland China performed below the previous year as a result of nature disaster in May. And, turnover of Aquascutum in Hong Kong also dropped from the previous year which was partly due to closure of two outlets at International Finance Center and Times Square respectively and was partly due to decrease in spendings of Chinese travelers.

	Breakdown of outlets by geographical locations		
	As of September 2008	As of March 2008	+ / (-) Outlets
Geographical locations			
Hong Kong	33	41	-8
Macau	8	8	-
Other areas of the People's Republic of China	217	227	-10
Taiwan	46	56	-10
Europe	1	1	-
South East Asian countries	<u>12</u>	<u>6</u>	6
Total	<u>317</u>	<u>339</u>	-22

As of September 2008, the Group has 153 Aquascutum outlets, 79 Ashworth outlets and 84 Michel Rene outlets in the Greater China region and South East Asia. And, the Group also has 1 Guy Laroche outlet

in Europe.

The Guy Laroche operations in Paris was reorganised during the last eighteen months and is breaking even in this period. Royalty income is steady during the period under review. Marcel Marongiu is now the design director and his work has won awards in various countries.

Garment manufacturing plant in Dongguan recorded a small operating loss in the period under review.

Other businesses

Hong Kong Security Printing returned similar result as the last year corresponding period. Rental income decreased slightly after the disposal of four floors of industrial buildings in March 2008. A revaluation deficit of our investment properties totaling HK\$3,400,000 was recorded in the period under review.

PROSPECTS

The global financial turmoil has serious effect on the consumption of clothing in all our markets. The Group has already eliminated unprofitable areas to conserve more resources. However, it is difficult to match the results of the second half of last year. The Group believes in the longer term prospect of the markets it operates in. With the cash reserves in the Group we are able to explore new opportunities with better values. Expansion plans are in place when rental returns to an affordable level.

CAPITAL EXPENDITURE

During the period, the Group spent approximately HK\$17,570,000 in recurring additions and replacement of fixed assets, compared to HK\$11,240,000 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 2008, the Group generated HK\$41,039,000 (2007 : HK\$58,858,000) of cash from operations. As at 30 September 2008, the Group had cash and bank deposits net of overdrafts and short-term bank loans of HK\$171,729,000, a decrease from HK\$237,691,000 as at 31 March 2008 after payments of dividends of HK\$95,376,000 during the period. At 30 September 2008, the Group had listed securities which were readily convertible into cash with a fair value of HK\$4,719,000.

The Group's net assets as at 30 September 2008 were HK\$766,915,000 as compared with HK\$860,177,000 as at 31 March 2008. The Group's gearing ratio at the year end was 0.047 (31 March 2008 : 0.054) which was calculated based on total borrowings of HK\$35,453,000 (31 March 2008 : HK\$45,348,000) and shareholders' equity of HK\$747,367,000 (31 March 2008 : HK\$838,565,000). 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 2008, certain investment properties with an aggregate carrying value of HK\$50,800,000 were pledged to banks for obtaining banking facilities of which HK\$Nil was utilised.

As at 30 September 2008, there were contingent liabilities in respect of guarantees given to banks by the Company in respect of banking facilities extended to certain subsidiaries amounting to approximately HK\$118,668,000, as compared with HK\$114,670,000 as at 31 March 2008.

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 and no options were exercised.

HUMAN RESOURCES

As at 30 September 2008, the Group had approximately 2,200 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 10.0 HK cents (2007: 13.0 HK cents) per share for the six months ended 30 September 2008 to shareholders whose names appears on the register of members of the Company as at the close of business on 9 January 2009. The interim dividend will be despatched to shareholders on 15 January 2009.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 6 January 2009 to 9 January 2009, 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 Monday, 5 January 2009.

CORPORATE GOVERNANCE

The Company had 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 2008.

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

The Company formulated written terms of reference for the Audit Committee in accordance with the requirements of the Listing Rules. The Audit Committee consists of three independent non-executive Directors, namely Mr. Leung Hok Lim, Mr. Wong Lam and Mr. Lin Keping. Mr. Leung Hok Lim is the chairman of the Audit Committee.

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

The Audit Committee 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 2008.

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

The Company has not redeemed any of its shares during the six months ended 30 September 2008. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The result announcement is published on the website of Hong Kong Exchange and Clearing Limited at www.hkex.com.hk under "Latest Listed Companies Information" and the website of the Company at www.ygmtrading.com under "Results Announcement". The unaudited interim financial statements of the Group for the period ended 30 September 2008 will be dispatched to the shareholders and published on the above websites in due course.

By Order of the Board
Chan Sui Kau
Chairman

Hong Kong, 15 December 2008

As at the date of this announcement, the Board comprises seven Executive Directors, namely Chan Sui Kau, Chan Wing Fui Peter, Chan Wing Sun Samuel, Chan Suk Ling Shirley, Fu Sing Yam William, Chan Wing Kee and Chan Wing To; and three Independent non-executive Directors, namely Leung Hok Lim, Wong Lam and Lin Keping.