

# YGM TRADING LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00375)

## ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

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 2007 together with the comparative figures for the corresponding period and selected explanatory notes are as follows :

### CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Six months ended 30 September	
	Note	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
<b>Turnover</b>	3	<b>490,182</b>	442,216
Cost of sales / services		<b>(189,926)</b>	(158,704)
<b>Gross profit</b>		<b>300,256</b>	283,512
Other revenue		<b>6,716</b>	7,197
Other net income		<b>8,161</b>	(163)
Distribution costs		<b>(189,519)</b>	(167,492)
Administrative expenses		<b>(82,024)</b>	(78,354)
Other operating expenses		<b>(2,350)</b>	(4,029)
<b>Profit from operations</b>		<b>41,240</b>	40,671
Finance costs		<b>(3,118)</b>	(3,289)
Share of profits less losses of associates		<b>9,912</b>	7,878
<b>Profit before taxation</b>	4	<b>48,034</b>	45,260
Income tax	5	<b>(1,910)</b>	(4,686)
<b>Profit for the period</b>		<b>46,124</b>	40,574
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>47,192</b>	40,690
Minority interests		<b>(1,068)</b>	(116)
<b>Profit for the period</b>		<b>46,124</b>	40,574
<b>Dividend - interim declared</b>	6	<b>19,998</b>	19,998
<b>Earnings per share</b>	7		
<i>Basic</i>		<b>30.7 cents</b>	26.3 cents
<i>Diluted</i>		<b>N/A</b>	N/A

## CONDENSED CONSOLIDATED BALANCE SHEET

		At 30 September 2007		At 31 March 2007	
	Note	(Unaudited)		(Audited)	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Non-current assets</b>					
Fixed assets					
– Investment properties			81,900		81,900
– Other property, plant and equipment			132,381		135,992
– Interest in leasehold land held for own use under operating lease			5,272		5,216
			219,553		223,108
Intangible assets			108,892		109,344
Lease premium			10,538		9,912
Interest in associates			97,937		96,864
Other financial assets			41,920		42,893
Deferred tax assets			65,746		57,204
			544,586		539,325
<b>Current assets</b>					
Trading securities		12,512		3,977	
Inventories		190,684		180,865	
Trade and other receivables	8	140,342		138,839	
Cash and cash equivalents		138,710		193,782	
		482,248		517,463	
<b>Current liabilities</b>					
Trade and other payables	9	212,010		179,415	
Bank loans and overdrafts		35,919		56,499	
Current taxation		12,976		10,593	
		260,905		246,507	
<b>Net current assets</b>			221,343		270,956
<b>Total assets less current liabilities</b>			765,929		810,281
<b>Non-current liabilities</b>					
Bank loans		6,745		49,038	
Deferred tax liabilities		13,836		13,989	
			20,581		63,027
<b>NET ASSETS</b>			745,348		747,254
<b>CAPITAL AND RESERVES</b>					
Share capital			76,916		76,916
Reserves			650,390		650,765
<b>Total equity attributable to shareholders of the Company</b>			727,306		727,681
<b>Minority interests</b>			18,042		19,573
<b>TOTAL EQUITY</b>			745,348		747,254

## Notes to the Condensed Consolidated Financial Statements

### 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 2007 except as disclosed below.

In the current interim period, the Group has applied the new standards, amendments and interpretations issued by the HKICPA that are effective for the accounting periods beginning on or after 1 January 2007.

HKAS 1 Amendment	Capital Disclosures
HKFRS7	Financial Instruments: Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairments
HK(IFRIC)-Int 11	HKFRS 2 Group and Treasury Share Transactions

The adoption of the above new standards, amendments and interpretations does not have any significant effect on the accounting policies or results and financial position of the Group.

#### ***Potential impact arising from the recently issued Accounting Standards***

The Group has not early applied the following new Hong Kong Financial Reporting Standards (“HKFRS”) that have been issued but are not yet effective. The directors of the Company anticipate that the application of these HKFRSs will have no material impact on the financial statements of the Group.

Effective for accounting  
periods beginning on or after

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HKFRS 8	Opening Segments	1 January 2009
HKAS 23 (Revised)	Borrowing Costs	1 January 2009
HK(IFRIC)-INT 12	Service Concession Arrangements	1 January 2008
HK(IFRIC)-INT 13	Customer Loyalty Programmes	1 July 2008
HK(IFRIC)-INT 14	HKAS 19 - The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction	1 January 2008

### 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 and gain from the appreciation in the properties' value in the long run.

	Sales of garments		Royalty and related income		Printing and related services		Property rental		Inter-segment elimination		Consolidated	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Revenue from external customers	435,889	392,148	31,329	29,009	19,841	18,063	3,123	2,996	-	-	490,182	442,216
Inter-segment revenue	-	-	625	520	1,339	1,001	3,141	3,402	(5,105)	(4,923)	-	-
Total	<u>435,889</u>	<u>392,148</u>	<u>31,954</u>	<u>29,529</u>	<u>21,180</u>	<u>19,064</u>	<u>6,264</u>	<u>6,398</u>	<u>(5,105)</u>	<u>(4,923)</u>	<u>490,182</u>	<u>442,216</u>
Segment result	22,822	31,974	2,395	2,462	4,321	2,877	3,525	3,161			33,063	40,474
Inter-segment transactions	<u>1,538</u>	<u>995</u>	<u>(63)</u>	<u>(42)</u>	<u>99</u>	<u>323</u>	<u>(1,574)</u>	<u>(1,276)</u>			-	-
Contribution from operations	24,360	32,969	2,332	2,420	4,420	3,200	1,951	1,885			33,063	40,474
Unallocated operating income and expenses											8,177	197
Profit from operations											41,240	40,671
Finance costs											(3,118)	(3,289)
Share of profits less losses of associates	9,912	7,878									9,912	7,878
Income tax											(1,910)	(4,686)
Profit for the period											<u>46,124</u>	<u>40,574</u>

## Geographical segments

The Group's business is managed on a worldwide basis, but participates in three principal economic environments. Hong Kong, Taiwan and other areas of the People's Republic of China are the major markets for the Group's garment business. Following the acquisition of Société Guy Laroche in 2004, the Group has a worldwide revenue stream from licensing the Guy Laroche trademark. Hong Kong is the major market for all of the Group's other business.

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

	Hong Kong		Taiwan		Other areas of the People's Republic of China		Others		Consolidated	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Revenue from external customers	205,039	226,484	57,546	58,073	190,519	124,317	37,078	33,342	490,182	442,216
Segments results	<u>26,849</u>	<u>25,935</u>	<u>(4,223)</u>	<u>(728)</u>	<u>31,194</u>	<u>22,051</u>	<u>(12,580)</u>	<u>(6,587)</u>	<u>41,240</u>	<u>40,671</u>

#### 4. Profit before taxation

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

	Six months ended 30 September	
	2007 (Unaudited) <i>HK\$'000</i>	2006 (Unaudited) <i>HK\$'000</i>
Interest on bank advances and other borrowings wholly repayable within five years	3,118	3,289
Depreciation and amortisation	15,326	13,827
Net realised and unrealized gain on trading securities	(7,944)	(2)
Interest income	(3,739)	(4,063)
Dividend income from listed securities	<u>(112)</u>	<u>(293)</u>

#### 5. Income tax

The provision for Hong Kong Profits Tax is calculated at 17.5% (2006: 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	
	2007 (Unaudited) <i>HK\$'000</i>	2006 (Unaudited) <i>HK\$'000</i>
Hong Kong Profits Tax	4,633	3,947
Overseas taxation	3,899	2,233
Deferred tax relating to the origination and reversal of temporary differences	<u>(6,622)</u>	<u>(1,494)</u>
	<u>1,910</u>	<u>4,686</u>

Share of tax attributable to associates amounting to HK\$3,359,000 (2006: HK\$2,845,000) is included in share of profits less losses of associates on the face of the condensed consolidated profit and loss account.

## 6. Dividends

Interim dividends attributable to the period are as follows:

	<b>Six months ended 30 September</b>	
	<b>2007</b>	<b>2006</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interim dividend declared of 13.0 HK cents (2006: 13.0 HK cents)	<u>19,998</u>	<u>19,998</u>

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 HK\$47,192,000 (2006: HK\$40,690,000) and the weighted average of 153,831,792 ordinary shares (2006: 154,684,792 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

	<b>30 September</b>	<b>31 March</b>
	<b>2007</b>	<b>2007</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Debtors, bills receivable, deposits and prepayments	<b>138,100</b>	137,101
Amounts due from related companies	<b>1,382</b>	878
Club memberships	<b>860</b>	860
	<u><b>140,342</b></u>	<u>138,839</u>

All of the trade and other receivables, apart from club memberships of HK\$860,000 (31 March 2007: HK\$860,000), 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:

	<b>30 September</b> <b>2007</b> <i>HK\$'000</i>	31 March 2007 <i>HK\$'000</i>
Current	<b>66,023</b>	72,085
1 to 3 months	<b>7,543</b>	5,547
More than 3 months but less than 12 months	<b>2,606</b>	2,070
	<u><b>76,172</b></u>	<u>79,702</u>

The credit terms given to trade debtors vary and are generally based on the financial strengths of individual debtors. In order to effectively manage the credit risks associated with trade debtors, credit evaluation of debtors is performed periodically.

## 9. Trade and other payables

	<b>30 September</b> <b>2007</b> <i>HK\$'000</i>	31 March 2007 <i>HK\$'000</i>
Bills payable	<b>450</b>	7,345
Creditors and accrued charges	<b>207,723</b>	163,185
Amounts due to related companies	<b>3,837</b>	8,885
	<u><b>212,010</b></u>	<u>179,415</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:

	<b>30 September 2007 HK\$'000</b>	31 March 2007 HK\$'000
Due within 1 month or on demand	<b>51,033</b>	32,992
Due after 1 month but within 3 months	<b>20,528</b>	31,323
Due after 3 months but within 6 months	<b>1,229</b>	2
Due over 6 months but within 12 months	<b>140</b>	–
	<hr/> <b>72,930</b> <hr/>	<hr/> 64,317 <hr/>

## **INTERIM DIVIDEND**

The Directors have resolved to pay an interim dividend of 13.0 HK cents (2006: 13.0 HK cents) per share for the six months ended 30 September 2007 to shareholders whose names appears on the register of members of the Company as at the close of business on 9 January 2008. The interim dividend will be despatched to shareholders on 15 January 2008.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 4 January 2008 to 9 January 2008, 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, 3 January 2008.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL RESULTS**

The Group's turnover increased to HK\$490,182,000 for the period ended 30 September 2007, a rise of 10.8% when compared with the corresponding period of 2006.

The Group's gross profit increased by 5.9% from HK\$283,512,000 for the previous year same period to HK\$300,256,000 for the period under review. Gross profit margin decreased to 61.3% (2006: 64.1%) due to deeper discounts offered for sale of stocks.

Profit from operations for the period amounted to HK\$41,240,000 (2006: HK\$40,671,000) which include a realised gain on disposal of trading securities of HK\$3,970,000 and an unrealised gain on valuation of trading securities at fair value of HK\$3,974,000. Distribution costs increased from HK\$167,492,000 for the previous year to HK\$189,519,000 which was mainly due to an increase in rental charges of HK\$8,200,000.

Finance costs for the period decreased slightly to HK\$3,118,000 (2006: HK\$3,289,000) which was mainly due to a decrease in bank loans.

Profit attributable to equity shareholders of the Company for the period was HK\$47,192,000 (2006: HK\$40,690,000), representing an increase of 16% from the previous year same period.

## **BUSINESS REVIEW**

### *Sales of Garments*

Total sales of garment, the Group's core business activities, increased by 11.2% to HK\$435,889,000 (2006: HK\$392,148,000), representing 88.9% of the consolidated turnover.

The Group distributes Aquascutum, Ashworth and Michel Rene in the Greater China region during the period. We recorded higher turnover as compared to last year same period. The Group also distributes Guy Laroche and Charles Jourdan in Mainland China but experienced conditions more difficult than we expected. Consequently, we are changing the marketing mode of these two brands in Mainland China.

**Breakdown of outlets by  
geographical locations**

<b>Geographical locations</b>	<b>As of September 2007</b>	<b>As of March 2007</b>	<b>+ / (-) Outlets</b>
Hong Kong	42	44	-2
Macau	8	7	1
Other areas of the People's Republic of China	231	230	1
Taiwan	59	57	2
Europe	1	3	-2
South East Asian countries	6	3	3
<b>Total</b>	<b>347</b>	<b>344</b>	<b>3</b>

As of September 2007, the Group has 153 Aquascutum outlets, 68 Ashworth outlets, 16 Guy Laroche Ladies outlets, 18 Charles Jourdan and 91 Michel Rene outlets in the Greater China region and South East Asia. In addition, the Group also has 1 Guy Laroche outlet in Europe.

The Group acquired Guy Laroche about two years ago. We had replaced the general manager and decided to discontinue the second line (cheaper line) distribution in Europe. The general manager was replaced in March 2007 and the new management is charged to produce a profit while improving the brand image globally. Laying off of a number of staff was implemented and redundancy costs of HK\$6,500,000 were absorbed. An operating loss of about HK\$11,000,000 was recorded in the first half. It is expected to return to profit in the second half.

The investment in Hang Ten continues to perform satisfactorily in the period. Our share of profit after tax increased by 25.8% to HK\$9,912,000 (2006: HK\$7,878,000).

The garment manufacturing plant in Dongguan suffered a small operating loss because of higher production cost that is difficult to pass on to our customers.

*Other business*

Hong Kong Security Printing has another record year in line with the business activities in the financial market in Hong Kong. Rental income from industrial buildings continues to show steady increase.

## **PROSPECTS**

The Group concentrates more efforts on its existing brands and is looking for improved results from them. We are cutting down on expansion plans of Charles Jourdan and Guy Laroche in Mainland China thus eliminating some losses. The second half looks promising as higher turnover is recorded in October and November.

## **CAPITAL EXPENDITURE**

During the period, the Group spent approximately HK\$11,240,000 in recurring additions and replacement of fixed assets, compared to HK\$12,075,000 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 manage its financial requirements.

For the period ended 30 September 2007, the Group generated HK\$58,858,000 (2006: HK\$27,236,000) of cash from operations. As at 30 September 2007, the Group had cash and bank deposits net of overdrafts and short-term bank loans of HK\$102,791,000, a decrease from HK\$137,283,000 of that as at 31 March 2007 after payments of dividends of HK\$49,226,000. At 30 September 2007, the Group had listed securities which were readily convertible into cash with a fair value of HK\$12,512,000.

The Group's total net assets as at 30 September 2007 were HK\$745,348,000 as compared with HK\$747,254,000 as at 31 March 2007. The Group's gearing ratio at the period end was 0.06 (31 March 2007: 0.15) which was calculated based on total borrowings of HK\$42,664,000 (31 March 2007: HK\$105,537,000) and shareholders' funds of HK\$727,306,000 (31 March 2007: HK\$727,681,000). The Group's borrowings are on a floating rate basis. Finance costs for the period amounted to HK\$3,118,000 (2006: HK\$3,289,000).

The Group also maintains a conservative approach on foreign exchange exposure management. The Group's income and expenditure streams are mainly denominated in Hong Kong Dollars, New Taiwan Dollars, Euros and Renminbi. To manage currency risks, non Hong Kong Dollars assets are financed primarily by matching local currency debts as far as possible.

As at 30 September 2007, certain investment properties with an aggregate carrying value of HK\$57,700,000 were pledged to banks for obtaining banking facilities of which HK\$Nil was utilized.

As at 30 September 2007, 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\$109,812,000, as compared with HK\$87,524,000 as at 31 March 2007.

## **SHARE OPTION SCHEME**

On 23 September 2004, the Company adopted a share options 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 of the Company, subject to a maximum of 15,469,879 new shares.

During the period under review, no share option was granted to directors and employees of the Group. And, no option was exercised by directors and employees during the period.

## **HUMAN RESOURCES**

As at 30 September 2007, the Group had approximately 2,800 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.

## **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 2007.

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 2007.

## **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 2007. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

## **BOARD OF DIRECTORS**

As at the date of this report, the Board comprises seven executive Directors, namely Mr. 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. Wong Lam and Mr. Lin Keping.

By order of the Board

**Chan Sui Kau**

*Chairman*

Hong Kong, 14 December 2007