



YGM 貿易有限公司

INTERIM REPORT 2004/2005 中期報告

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**INTERIM RESULTS**

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 30th September 2004 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)

	Note	Six months ended 30th September	
		2004 (Unaudited) \$'000	2003 (Unaudited) \$'000
<b>Turnover</b>	2	<b>389,197</b>	274,779
Cost of sales/services		<b>(145,088)</b>	(109,075)
		<b>244,109</b>	165,704
Other revenue		<b>5,188</b>	6,972
Other net income		<b>1,849</b>	5,062
Selling and distribution expenses		<b>(124,963)</b>	(101,805)
Administrative expenses		<b>(66,101)</b>	(48,420)
Other operating expenses		<b>(328)</b>	(2,570)
Profit from operations		<b>59,754</b>	24,943
Finance costs		<b>(804)</b>	(707)
Profit on disposal of land and buildings		–	64,957
Share of profits less losses of associates		<b>11,367</b>	8,426
<b>Profit from ordinary activities before taxation</b>	3	<b>70,317</b>	97,619
Taxation	4	<b>(11,974)</b>	(2,643)
<b>Profit from ordinary activities after taxation</b>		<b>58,343</b>	94,976
Minority interests		<b>(2,000)</b>	30
<b>Profit attributable to shareholders</b>		<b>56,343</b>	95,006
<b>Dividends</b>	5	<b>20,111</b>	12,376
<i>Earnings per share – basic</i>	6	<b>36.4 cents</b>	61.4 cents

The notes on pages 5 to 18 form part of these interim financial statements.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Expressed in Hong Kong dollars)

	Issued Share Capital \$'000	Share Premium \$'000	Capital Redemption Reserve \$'000	Land and Building Revaluation Reserve \$'000	Retained Profits \$'000	Total \$'000
At 1st April 2004	77,348	132,504	4,181	40,472	218,972	473,477
Exchange differences on translation of accounts of foreign entities	-	-	-	-	(1,055)	(1,055)
Profit for the period	-	-	-	-	56,343	56,343
Dividend approved in respect of the previous year	-	-	-	-	(38,675)	(38,675)
<b>At 30th September 2004</b>	<b>77,348</b>	<b>132,504</b>	<b>4,181</b>	<b>40,472</b>	<b>235,585</b>	<b>490,090</b>
At 1st April 2003						
- as previously reported	77,348	132,504	4,181	49,057	185,611	448,701
- Effect of adopting SSAP 12 (revised)	-	-	-	(7,849)	18,798	10,949
	77,348	132,504	4,181	41,208	204,409	459,650
Exchange differences on translation of accounts of foreign entities	-	-	-	-	1,868	1,868
Effect of change in tax rate on deferred tax charged to reverses	-	-	-	(736)	-	(736)
Profit for the period	-	-	-	-	95,006	95,006
Dividend approved in respect of the previous year	-	-	-	-	(146,964)	(146,964)
At 30th September 2003	77,348	132,504	4,181	40,472	154,319	408,824

**CONDENSED CONSOLIDATED BALANCE SHEET***(Expressed in Hong Kong dollars)*

	Note	30th September 2004 (Unaudited) \$'000	31st March 2004 (Audited) \$'000
<b>Non-current assets</b>			
Fixed assets	7		
– Investment properties		<b>38,900</b>	38,900
– Other property, plant and equipment		<b>127,614</b>	127,618
		<b>166,514</b>	166,518
Intangible assets - trademarks	14	<b>103,523</b>	–
Interest in associates		<b>94,969</b>	95,565
Other financial assets		<b>7,528</b>	7,528
Deferred tax assets		<b>35,503</b>	21,282
		<b>408,037</b>	290,893
<b>Current assets</b>			
Investments		<b>22,772</b>	13,979
Inventories	8	<b>148,302</b>	97,048
Trade and other receivables	9	<b>118,987</b>	72,182
Cash and bank balances	10	<b>104,237</b>	181,368
		<b>394,298</b>	364,577
<b>Current liabilities</b>			
Trade and other payables	11	<b>178,965</b>	115,144
Bank loans and overdrafts	12	<b>92,991</b>	29,789
Taxation		<b>21,128</b>	16,630
		<b>293,084</b>	161,563
<b>Net current assets</b>		<b>101,214</b>	203,014
<b>Total assets less current liabilities</b>		<b>509,251</b>	493,907
<b>Non-current liabilities</b>			
Deferred tax liabilities		<b>6,394</b>	8,682
<b>Minority interests</b>		<b>12,767</b>	11,748
<b>NET ASSETS</b>		<b>490,090</b>	473,477
<b>CAPITAL AND RESERVES</b>			
Share capital	13	<b>77,348</b>	77,348
Reserves		<b>412,742</b>	396,129
		<b>490,090</b>	473,477

The notes on pages 5 to 18 form part of these interim financial statements.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(Expressed in Hong Kong dollars)

	Six months ended 30th September	
	2004 (Unaudited) \$'000	2003 (Unaudited) \$'000
Net cash inflow from operating activities	14,798	35,033
Net cash (used in) / from investing activities	(114,030)	53,003
Net cash from / (used in) financing activities	19,743	(148,182)
Net decrease in cash and cash equivalents	(79,489)	(60,146)
Cash and cash equivalents at beginning of period	150,799	125,901
Effect of foreign exchange rates changes	(964)	589
Cash and cash equivalents at end of period	70,346	66,344
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	79,237	68,177
Bank overdrafts and trust receipt loans	(8,891)	(1,833)
	70,346	66,344

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

*(Expressed in Hong Kong dollars)*

**1. Basis of Preparation and Principal Accounting Policies**

The condensed consolidated financial statements have been prepared in accordance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), including compliance with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) (previously known as the Hong Kong Society of Accountants).

The condensed consolidated financial statements for the six months ended 30th September 2004 are unaudited and have been reviewed by the audit committee of the Company.

The accounting policies and basis of preparation used in the preparation of the condensed consolidated interim financial statements are consistent with those adopted in the audited annual financial statements for the year ended 31st March 2004 except the Group has adopted Hong Kong Financial Reporting Standard (“HKFRS”) 3 “Business Combinations”, Hong Kong Accounting Standard (“HKAS”) 36 “Impairment of Assets” and HKAS 38 “Intangible Assets” issued by the HKICPA from 1st April 2004.

The change to the accounting policies of the Group and the effect of adopting the standards are set out below:

Goodwill arising on consolidation is tested annually for impairment and carried at cost less accumulated impairment losses. Negative goodwill is recognised in the consolidated profit and loss account immediately.

Trademarks are stated at cost less accumulated impairment losses.

In prior years, positive goodwill arising on consolidation was amortised to the consolidated profit and loss account on a straight line basis over its estimated useful life and was stated in the balance sheet at cost less any accumulated amortisation and any impairment losses. Negative goodwill not exceeding the fair values of non-monetary assets acquired was recognized in the consolidated profit and loss account over the weighted average useful life of those non-monetary assets that are depreciable/ amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired was recognized immediately in the consolidated profit and loss account.

Trademarks were amortized and stated at cost less accumulated amortisation and impairment losses. Amortisation of trademarks was charged to the profit and loss account on a straight line basis over their estimated useful lives.

The adoption of the above standards has no significant impact on the current or prior period’s results.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Hong Kong dollars)

### 2. 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
- Printing and related services
- Property rental

	Sales of garments 2004 \$'000	Printing and related business 2004 \$'000	Property rental 2004 \$'000	Inter-segment elimination 2004 \$'000	Unallocated 2004 \$'000	Consolidated 2004 \$'000
Revenue from external customers	350,203	15,348	2,474	-	21,172	389,197
Inter-segment revenue	198	552	3,415	(4,165)	-	-
Total	350,401	15,900	5,889	(4,165)	21,172	389,197
Segment result	53,229	785	3,008			57,022
Inter-segment transactions	1,807	(24)	(1,783)			-
Contribution from operations	55,036	761	1,225			57,022
Unallocated operating income and expenses						2,732
Profit from operations						59,754
Finance costs						(804)
Share of profits less losses of associates	11,367					11,367
Taxation						(11,974)
Minority interests						(2,000)
Profit attributable to shareholders						56,343

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS** (Continued)

(Expressed in Hong Kong dollars)

**2. Segment reporting** (Continued)**Business segments** (Continued)

	Sales of garments 2003 \$'000	Printing and related business 2003 \$'000	Property rental 2003 \$'000	Inter-segment elimination 2003 \$'000	Unallocated 2003 \$'000	Consolidated 2003 \$'000
Revenue from external customers	252,450	15,301	2,398	-	4,630	274,779
Inter-segment revenue	-	457	3,168	(3,625)	-	-
<b>Total</b>	<b>252,450</b>	<b>15,758</b>	<b>5,566</b>	<b>(3,625)</b>	<b>4,630</b>	<b>274,779</b>
Segment result	19,941	478	2,448			22,867
Inter-segment transactions	1,343	387	(1,730)			-
Contribution from operations	21,284	865	718			22,867
Unallocated operating income and expenses						2,076
Profit from operations						24,943
Finance costs						(707)
Profit on disposal of land and buildings						64,957
Share of profits less losses of associates	6,272				2,154	8,426
Taxation						(2,643)
Minority interests						30
Profit attributable to shareholders						95,006

**Geographical segments**

The Group's business is managed on a worldwide basis, but participates in three principal economic environments. Hong Kong, other areas of the People's Republic of China and Taiwan are the major markets for the Group's garment business. Hong Kong is the major market for all of the Group's other businesses.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Hong Kong dollars)

### 2. Segment reporting (Continued)

#### Geographical segments (Continued)

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

	Hong Kong 2004 \$'000	Other areas of the People's Republic of China 2004 \$'000	Taiwan 2004 \$'000	Others 2004 \$'000	Consolidated 2004 \$'000
Revenue from external customers	<b>214,516</b>	<b>87,983</b>	<b>60,109</b>	<b>26,589</b>	<b>389,197</b>
Segments results	<b>33,643</b>	<b>11,107</b>	<b>6,121</b>	<b>8,883</b>	<b>59,754</b>

	Hong Kong 2003 \$'000	Other areas of the People's Republic of China 2003 \$'000	Taiwan 2003 \$'000	Others 2003 \$'000	Consolidated 2003 \$'000
Revenue from external customers	169,637	50,940	47,071	7,131	274,779
Segments results	15,966	5,710	1,848	1,419	24,943

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS** (Continued)*(Expressed in Hong Kong dollars)***3. Profit from ordinary activities before taxation**

	<b>Six months ended 30th September</b>	
	<b>2004 \$'000</b>	<b>2003 \$'000</b>
Profit from ordinary activities before taxation has been arrived at after charging:		
Interest on borrowings	<b>804</b>	707
Amortisation and depreciation	<b>8,309</b>	9,077
Net realised and unrealised losses on other securities carried at fair value	<b>1,556</b>	–
and after crediting:		
Interest income	<b>2,044</b>	2,511
Dividend income from listed securities	<b>264</b>	606
Net realised and unrealised gains on other securities carried at fair value	–	5,631

**4. Taxation**

	<b>Six months ended 30th September</b>	
	<b>2004 \$'000</b>	<b>2003 \$'000</b>
Provision for Hong Kong Profits Tax for the period	<b>5,344</b>	4,004
Overseas taxation	<b>3,739</b>	2,459
Deferred tax relating to the origination and reversal of temporary differences	<b>999</b>	(3,700)
Effect of increased in tax rate on deferred tax balances as at 1st April 2003	–	(1,063)
	<b>10,082</b>	1,700
Share of associates' taxation	<b>1,892</b>	943
	<b>11,974</b>	2,643

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Hong Kong dollars)

### 4. Taxation (Continued)

The provision for Hong Kong Profits Tax is calculated at 17.5% (2003: 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.

### 5. Dividends

	Six months ended 30th September	
	2004 \$'000	2003 \$'000
Interim dividend declared of 13.0 HK cents (2003: 8.0 HK cents) per share	<b>20,111</b>	12,376

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

### 6. Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders for the period of \$56,343,000 (2003: \$95,006,000) and 154,698,792 ordinary shares (2003: 154,698,792 shares) in issue during the period.

Diluted earnings per share for the periods ended 30th September 2004 and 30th September 2003 have not been presented as no dilutive potential ordinary shares were outstanding during the period.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS** (Continued)

(Expressed in Hong Kong dollars)

**7. Fixed assets**

Fixed assets include investment properties. The directors are of the opinion that no professional valuation is necessary in respect of the Group's investment properties and leasehold land and buildings as at 30th September 2004. However, the directors have considered that the values of the investment properties and leasehold land and buildings as at 30th September 2004 would not be materially different from the professional valuation made as at 31st March 2004 and, accordingly, no revaluation surplus or deficit has been recognised in the current period.

Other fixed assets are stated at cost or valuation less accumulated depreciation.

At 30th September 2004, certain investment properties with an aggregate carrying value of \$26,150,000 which are pledged to banks for obtaining banking facilities of which the amount utilised amounted to \$12,000,000.

The Group applied to the Town Planning Board to permit a proposal hotel development at No. 20 Tai Yau Street, San Po Kong. The application was formally approved by the Town Planning Board on 13th August 2004.

**8. Inventories**

Inventories of the Group are stated net of a provision of \$59,060,000 (31st March 2004: \$57,647,000) made in order to state these inventories at the lower of their cost and estimated net realisable value.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Hong Kong dollars)

### 9. Trade and other receivables

	30th September 2004 \$'000	31st March 2004 \$'000
Debtors, bills receivable, deposits and prepayments	<b>115,599</b>	70,187
Amounts due from related companies	<b>2,163</b>	770
Club memberships	<b>1,225</b>	1,225
	<b>118,987</b>	72,182

All of the trade and other receivables, apart from club memberships of \$1,225,000 (31st March 2004: \$1,225,000), are expected to be recovered within one year.

Included in trade and other receivables are trade debtors and bills receivable (net of specific allowances for bad and doubtful debts) with the following ageing analysis:

	30th September 2004 \$'000	31st March 2004 \$'000
Current	<b>39,046</b>	25,447
1 to 3 months	<b>11,617</b>	9,185
More than 3 months but less than 12 months	<b>2,096</b>	950
	<b>52,759</b>	35,582

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.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS** (Continued)*(Expressed in Hong Kong dollars)***10. Cash and bank balances**

	<b>30th September 2004 \$'000</b>	31st March 2004 \$'000
Deposits with banks and other financial institutions	<b>5,740</b>	48,642
Deposits pledged with banks as securities (Note 12)	<b>25,000</b>	25,000
Cash at bank and in hand	<b>73,497</b>	107,726
	<b>104,237</b>	181,368

**11. Trade and other payables**

	<b>30th September 2004 \$'000</b>	31st March 2004 \$'000
Bills payable	<b>2,572</b>	7,534
Creditors and accrued charges	<b>166,185</b>	105,759
Amounts due to related companies	<b>10,208</b>	1,851
	<b>178,965</b>	115,144

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:

	<b>30th September 2004 \$'000</b>	31st March 2004 \$'000
Due within 1 month or on demand	<b>65,612</b>	29,221
Due after 1 month but within 3 months	<b>1,830</b>	1,884
Due after 3 months but within 6 months	<b>1,232</b>	108
Due after 6 months but within 1 year	<b>46</b>	45
	<b>68,720</b>	31,258

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Hong Kong dollars)

### 12. Bank loans and overdrafts

	30th September 2004 \$'000	31st March 2004 \$'000
Unsecured bank overdrafts and trust receipt loans	8,891	5,569
Bank loans		
– secured	21,400	24,220
– unsecured	62,700	–
	<b>92,991</b>	29,789

All bank loans and overdrafts are payable within one year or on demand.

The banking facilities of a subsidiary are secured by mortgages over its investment properties with an aggregate carrying value of \$13,050,000 (31st March 2004: \$13,050,000) and a fixed deposit of the Company which is not less than the loan amount. The banking facilities of another subsidiary are secured by a fixed deposit of a fellow subsidiary amounting to \$13,000,000 (31st March 2004: \$13,000,000). Such banking facilities, totalling \$21,400,000 (31st March 2004: \$24,220,000) were utilised at 30th September 2004.

### 13. Share options scheme

Pursuant to an ordinary resolution in writing of all shareholders of the Company dated 1st December 1987, the Company adopted a share option scheme which expired on 30th November 1997 pursuant to the terms thereof. No options granted under this scheme remained outstanding.

On 23rd September 2004, the Company adopted a new share option scheme (the “New Share Option Scheme”) which will remain in force until 22nd September 2014. Pursuant to the terms of the New 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. No options were granted, exercised, cancelled or lapsed under the New Share Option Scheme during the period.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS** (Continued)

(Expressed in Hong Kong dollars)

**14. Acquisition of a subsidiary**

On 25th June 2004, the Group completed the acquisition of the entire issued share capital of Societe Guy Laroche (“SGL”) in France for a cash consideration of \$132,600,000. SGL owns the rights to the “Guy Laroche” and “Mic Mac” trademarks and is principally engaged in licensing the right to manufacture and distribute products bearing the “Guy Laroche” trademark to licensees worldwide in return for royalties based on a pre-determined percentage of turnover and subject to a minimum level of royalties. The fair value of the net identifiable assets of SGL at the date of acquisition was approximately \$138,000,000 of which the carrying amount of the “Guy Laroche” and “Mic Mac” trademarks was \$103,000,000. SGL contributed turnover of \$17,100,000 and net profit after tax of \$1,100,000 to the Group during the six months ended 30th September 2004.

**15. Commitments**

There were no material capital commitments outstanding at 30th September 2004 (31st March 2004: \$nil).

**16. Contingent liabilities**

At 30th September 2004, 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 \$43,000,000 (31st March 2004: \$36,000,000).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Hong Kong dollars)

### 17. Material related party transactions

The following material transactions with related parties were, in the opinion of the directors, carried out in the ordinary course of business and on normal commercial terms:

- (a) Transactions with and amounts paid to Yangtzekiang Garment Manufacturing Company Limited, its subsidiaries and associated companies (“Yangtzekiang Garment Manufacturing Group”). (Certain directors of the Company are collectively the controlling shareholders of both the Yangtzekiang Garment Manufacturing Group and the Group) :

	Six months ended 30th September	
	2004 \$'000	2003 \$'000
Purchases of traded products	<b>14,634</b>	5,378
Sales of traded products	<b>867</b>	564
Rental payable on properties	<b>1,945</b>	1,945
Management fee payable	<b>372</b>	372
Building management fee payable	<b>162</b>	162

The purchases and sales of traded products and rental transactions were, in the opinion of the directors, carried out at prices and on terms comparable to those offered to or by independent third parties. The management fees were charged for administration, business strategy, personnel, legal and company secretarial work, accounting and management services provided. The management fees are determined annually between the respective parties after negotiations having regard to the cost of services provided. Yangtzekiang Garment Manufacturing Group and the Group have not entered into any management contract in respect of the said services.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS** (Continued)*(Expressed in Hong Kong dollars)***17. Material related party transactions** (Continued)

- (b) Transactions with YGM Marketing Pte Limited which is beneficially owned by certain directors of the Company:

	<b>Six months ended 30th September</b>	
	<b>2004 \$'000</b>	2003 \$'000
Sales of traded products	<b>3,464</b>	917

The sales of traded products were, in the opinion of the directors, carried out on prices and terms comparable to those offered to or by independent third party suppliers.

- (c) Transactions with Hang Ten Group Holdings Limited (“HTGH”) and its subsidiaries (“HTGH Group”). A director of the Company and certain directors of a subsidiary of the Company are both directors and shareholders of HTGH :

	<b>Six months ended 30th September</b>	
	<b>2004 \$'000</b>	2003 \$'000
Interest on loan granted	<b>959</b>	952
Rental payable on properties	<b>55</b>	86
Rental receivable on properties	<b>156</b>	94

The rental transactions were, in the opinion of the directors, carried out at prices and on terms comparable to those offered to or by independent third parties. HTGH Group has not entered into any management contract in respect of the said services.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Hong Kong dollars)

### 17. Material related party transactions (Continued)

- (d) Transactions with Efficient Sino Holdings Limited (“ESH”). ESH is a company controlled by certain directors of a subsidiary of the Company which holds a controlling interest in ESH:

	Six months ended 30th September	
	2004 \$'000	2003 \$'000
Interest on loan granted	211	211

- (e) Outstanding balances due from/(to) related companies as at:

	30th September 2004 \$'000	31st March 2004 \$'000
Amount due from YGM Marketing Pte Limited	2,163	770
Amount due to HTGH Group	(269)	(161)
Loan and accrued interest due from HTGH Group	33,142	36,769
Loan and accrued interest due from ESH	7,762	7,762
Amount due to Yangtzekiang Garment Manufacturing Group	(9,939)	(1,690)

The outstanding balances with related companies are unsecured, interest-free and repayable on demand, except for the loans and accrued interest due from ESH and HTGH Group which are unsecured, interest bearing at 6% per annum and repayable after ten years from the date of advance on 9th November 2010.

- (f) Transactions with non-wholly owned subsidiaries:

Sales of traded products by the Group’s wholly-owned subsidiaries to certain non-wholly owned subsidiaries and the related period end trade balances have been eliminated on consolidation.

**INTERIM DIVIDEND**

The directors have resolved to pay an interim dividend of 13.0 HK cents (2003: 8.0 HK cents) per share for the six months ended 30th September 2004 to shareholders whose names appears on the register of members of the Company as at the close of business on 7th January 2005. The interim dividend will be despatched to shareholders on 17th January 2005.

**CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 7th January 2005 to 12th January 2005, 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 4:00 p.m. on Thursday, 6th January 2005.

**MANAGEMENT DISCUSSION AND ANALYSIS****Financial results**

Turnover for the six months ended 30th September 2004 was HK\$389,197,000 as compared to HK\$274,779,000 for last year same period. The Group recorded an increase of 38.7% in total sales of garments from HK\$252,450,000 for last year same period to HK\$350,203,000, representing 90% of the total Group turnover.

Profits attributable to shareholders for the period was HK\$56,343,000 (2003: HK\$95,006,000). Last year's results included an exceptional gain of HK\$64,957,000 on disposal of three shop premises in Parklane Shopper's Boulevard, Tsim Sha Tsui, Kowloon and an unrealised gain of HK\$4,950,000 on quoted shares carried at fair value. If excluding these favourable impacts on last year's interim profit, the Group achieved an increase of 124.5% in profits attributable to shareholders.

The acquisition of Societe Guy Laroche ("SGL") was completed in June 2004. The results of SGL had been consolidated in the consolidated profit and loss account of the Group with effect from the date of acquisition. SGL contributed net profit after tax of HK\$1,100,000 to the Group during the six months ended 30th September 2004.

## **Business review**

The Group's core business is retailing and distribution of premium brand apparels in Mainland China, Hong Kong, Taiwan and Macau. In this period, the Group distributed Aquascutum, Ashworth, Guy Laroche and Michel Rene fashion and accessories. With a total of 16 outlets opened in this period, the Group's retail network was a total of 261 (31st March 2004: 245) outlets as at the end of September 2004, comprising 171 in Mainland China, 40 in Hong Kong, 6 in Macau and 44 in Taiwan. Most of the 16 new outlets were opened near the end of the period with minimal contribution to sales and profits.

At the end of September 2004, the Group had 110 outlets in Aquascutum, 99 outlets in Michel Rene, 47 outlets in Ashworth and 5 outlets in Guy Laroche.

In June 2004, the Group had successfully acquired SGL in Paris. "Guy Laroche" is a classical French Couture brandname which has been generating royalty income from licensees around the world. In October this year, a successfully fashion show was launched in Paris with our new fashion designer Mr. Herve L. Leroux. All costs for new brand launching were absorbed in the current profit and loss account.

Hang Ten Group Holdings Limited, which is an associated company of the Group, reported a 60% increase in profits attributable to shareholders. This increase is mainly from its traditional market of Taiwan and the new Korea and South East Asia markets.

Other businesses including cosmetic trading and printing reported good improvements. Rental income from investment properties was steady.

## **Prospects**

The Group continue to expand its portfolio of brands. We expect the existing brands continue to improve during the far more important second half of this financial year. Significant factors for our growth include the increased number of Chinese tourists in Hong Kong, the economic recovery in Hong Kong and the continued growth of wealth in Mainland China. We plan to add about another 10 outlets in the remaining half of this financial year. We had also signed a twenty years license to market Charles Jordan apparels and accessories in the Greater China region. We expect launching of this brand to commence in summer 2005.

## **Acquisition of a subsidiary**

On 25th June 2004, a subsidiary of the Company, YGM Studio Limited, completed the acquisition of the entire issued share capital of Societe Guy Laroche ("SGL") in France for a cash consideration of HK\$132,600,000. SGL owns the rights to the "Guy Laroche" and "Mic Mac" trademarks. The principal business of SGL is licensing the right to manufacture and distribute products bearing the "Guy Laroche" trademark to licensees worldwide in return for royalties based on a pre-determined percentage of turnover and subject to a minimum level of royalties.

**Capital expenditure**

During the period, besides the acquisition of SGL as stated above, the Group spent approximately HK\$7,950,000 in the recurring additions and replacement of fixed assets, compared to HK\$6,026,000 last year same period.

**Liquidity and financial resources**

The Group's total net assets as at 30th September 2004 was HK\$490,090,000 as compared with HK\$473,477,000 as at 31st March 2004. The Group continues to maintain a prudent approach to manage its financial requirements. As at 30th September 2004, the Group had cash net of overdrafts and short-term bank loans of HK\$11,246,000 which decreased from HK\$151,579,000 of that as at 31st March 2004, resulting from the payment of HK\$132,600,000 for the acquisition of the entire issued shares of SGL.

The Group's gearing ratio at the period end was 0.19 which was calculated based on total borrowings of HK\$92,991,000 and shareholders' funds of HK\$490,090,000. The Group's borrowings are on a floating rate basis.

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 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 30th September 2004, certain investment properties with an aggregate carrying value of HK\$26,150,000 are pledged to banks for obtaining banking facilities of which the amount utilised amounted to HK\$12,000,000. And, certain deposits with banks totalling HK\$25,000,000 are pledged to banks for obtaining banking facilities for the Group.

As at 30th September 2004, 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\$43,000,000, as compared with HK\$36,000,000 as at 31st March 2004.

**Human resources**

As at 30th September 2004, the Group had approximately 2,500 employees. The Group offers competitive remuneration packages including medical subsidies and retirement contribution 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.

On 23rd September 2004, a new share option scheme was adopted by the Company. No share option was granted to directors and employees of the Group during the period.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

The directors and chief executive of the Company who held office at 30th September 2004 had the following interests in the issued shares of the Company, subsidiaries and other associated corporations (within the meaning of the Securities and Future Ordinance ("SFO") at that date as recorded in the register of directors' and chief executives interests required to be kept under Section 352 of the SFO:

Beneficial Interests	Ordinary shares of \$0.50 each			
	Personal Interests (i)	Family Interests	Corporate Interests	Other Interests
Chan Sui Kau	5,929,272	214,368	3,840,820	(ii)
Chan Wing Fui, Peter	324,068	3,820,420	–	(ii), (iii) & (iv)
Chan Wing Sun, Samuel	2,072,072	–	7,291,144	(ii), (iii) & (iv)
Chan Suk Ling, Shirley	3,613,544	16,000	–	(ii), (iii) & (iv)
Chan Wing Ming, Michael	2,967,208	–	–	(ii), (iii) & (iv)
Chan Wing Kee	3,692,776	819,404	–	(ii), (iii), (iv) & (v)
Chan Wing To	4,144,736	–	–	(ii), (iii), (iv) & (v)
Fu Sing Yam, William	598,835	–	–	–

- (i) The shares are registered under the names of the directors and chief executives who are the beneficial owners.
- (ii) 20,174,700 shares of the Company were held by Chan Family Investment Corporation Limited (which is owned by Messrs Chan Sui Kau, Chan Wing Fui, Peter, Chan Wing Kee, Chan Wing Sun, Samuel, Chan Wing To, Chan Wing Ming, Michael, Madam Chan Suk Ling, Shirley and other members of the Chan family) and its subsidiaries.
- (iii) 34,595,908 shares of the Company were held by Canfield Holdings Limited, which is beneficially owned by Messrs Chan Wing Fui, Peter, Chan Wing Kee, Chan Wing Sun, Samuel, Chan Wing To, Chan Wing Ming, Michael, Madam Chan Suk Ling, Shirley and other members of the Chan family.
- (iv) 2,917,480 shares of the Company were held by Hearty Development Limited which is beneficially owned by Messrs Chan Wing Fui, Peter, Chan Wing Kee, Chan Wing Sun, Samuel, Chan Wing To and Chan Wing Ming, Michael, Madam Chan Suk Ling, Shirley and other members of the Chan family.
- (v) 1,597,000 shares of the Company were held by Super Team International Limited which is beneficially owned by Messrs Chan Wing Kee, Chan Wing To and other members of the Chan family.

Apart from the foregoing, none of the directors and chief executive of the Company or any of their spouses or children under eighteen years of age has interests or short positions in the shares, underlying shares or debentures of the Company or any of its subsidiaries as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

At no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the directors or chief executive of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

### **SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS INTERESTS IN SHARES**

No interests required to be recorded in the register kept under section 336 of the SFO have been notified to the Company.

### **CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS**

Details of the connected transactions under Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") are set out in Note 17 to the unaudited condensed consolidated financial statements. In the opinion of the independent non-executive directors, the connected transactions were :

- (i) conducted in the ordinary and usual course of business;
- (ii) either on normal commercial terms or, where there is no available comparison, on terms that are fair and reasonable so far as the independent shareholders of the Company are concerned; and
- (iii) either in accordance with the terms of the agreements governing such transactions or, where there are no such agreements, on terms no less favourable than those available to or from (as appropriate) independent third parties.

Apart from the foregoing, no contract of significance to which the Company or any of its subsidiaries was a party, and in which a director of the Company had a material interest, subsisted at the end of the period or at any time during the period.

### **CODE OF BEST PRACTICE**

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not during the six months ended 30th September 2004, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules except that the independent non-executive directors of the Company are subject to retirement by rotation and re-election at the Company's Annual General Meetings pursuant to the Articles of Association of the Company.

## **AUDIT COMMITTEE**

The Company's audit committee comprises three independent non-executive directors of the Company and reports to the Board of Directors. The audit committee has reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited condensed consolidated financial statements for the six months ended 30th September 2004.

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

The Company has not redeemed any of its shares during the six months ended 30th September 2004. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the said period.

## **BOARD OF DIRECTORS**

As at the date of this interim report, the board of directors of the Company comprises of (i) eight executive directors : Mr. Chan Sui Kau, Mr. Chan Wing Fui, Peter, Mr. Chan Wing Sun, Samuel, Madam Chan Suk Ling, Shirley, Mr. Chan Wing Ming, Michael, Mr. Chan Wing Kee, Mr. Chan Wing To and Mr. Fu Sing Yam, William; and (ii) three independent non-executive directors: Mr. Leung Hok Lim, Mr. Wong Lam and Mr. Lin Keping.

By order of the Board

**Chan Sui Kau**

Chairman

Hong Kong, 16th December 2004