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YGM TRADING LIMITED

(incorporated in Hong Kong with limited liability)

(Stock Code: 00375)

MAJOR TRANSACTION IN RELATION TO THE DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF YGM CLOTHING LIMITED

AND

RESUMPTION OF TRADING

THE DISPOSAL

On 6 July 2015, the Vendors and the Purchaser entered into the Agreement, pursuant to which the Vendors have agreed to dispose of and the Purchaser has agreed to acquire the Sale Shares, being the entire issued share capital of YGM Clothing at the Consideration of RMB45,200,000 (equivalent to approximately HK\$56,500,000).

LISTING RULES IMPLICATIONS

As one or more of the relevant applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Disposal are more than 25% but less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the notification, announcement and shareholders' approval requirements under the Listing Rules.

A circular containing, among others, details of the Disposal and further information of the Group is expected to be despatched to the Shareholders on or before 28 July 2015.

As no Shareholder has a material interest in the Disposal, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Disposal and as the Company will obtain a written approval of the Disposal from a closely allied group of Shareholders who collectively hold 84,256,424 Shares in the Company, representing approximately 50.8% of the issued share capital of the Company, pursuant to Rule 14.44 of the Listing Rules, the Company is not required to convene a general meeting for approving the Disposal.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 1:13 p.m. on 6 July 2015 pending the release of this announcement. The Company has applied to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 8 July 2015.

THE DISPOSAL

On 6 July 2015, the Vendors and the Purchaser entered into the Agreement, pursuant to which the Vendors have agreed to dispose of and the Purchaser has agreed to acquire the Sale Shares, being the entire issued share capital of YGM Clothing at the Consideration of RMB45,200,000 (equivalent to approximately HK\$56,500,000).

Principal terms of the Agreement are set out below.

THE AGREEMENT

Date: 6 July 2015

Parties

- (1) The Vendors: The Company and Luk Hop Garments Limited, a subsidiary of the Company
- (2) The Purchaser: 深圳市邁思普電子有限公司

As at the date of this announcement, based on the information and confirmation provided by the Purchaser and to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are Independent Third Parties of the Company and its connected persons.

Assets to be disposed

As at the date of this announcement, each of the Company and Luk Hop held 50% of the issued share capital of YGM Clothing. Pursuant to the Agreement, the Company and Luk Hop, being the Vendors, agreed to sell and the Purchaser agreed to acquire the Sale Shares, being the entire issued share capital of YGM Clothing.

As at the date of this announcement, YGM Clothing was the sole shareholder of YGM Clothing (Dongguan) which in turn was the legal owner of the Land located at Chukeng Management District, Dongkeng Town, Dongguan City (東莞市東坑鎮初坑管理區) with a site area of 58,347 sq. m. together with the factory and employee apartments and dormitories built thereon with a total gross area of approximately 31,974 sq. m.. The land use right of the Land expires in February 2044.

Consideration

Pursuant to the Agreement, the Consideration of RMB45,200,000 (equivalent to approximately HK\$56,500,000) shall be satisfied in the following manner:

- (i) on the date of signing of the Agreement, a sum of RMB12,400,000 (equivalent to approximately HK\$15,500,000) shall be payable and has been duly paid by the Purchaser or its nominee to the Vendors by bank transfer;
- (ii) before 31 August 2015, a sum of RMB17,400,000 (equivalent to approximately HK\$21,750,000) shall be payable by the Purchaser or its nominee to the Vendors by bank transfer; and
- (iii) upon Completion, the balance of RMB15,400,000 (equivalent to approximately HK\$19,250,000) shall be payable by the Purchaser or its nominee to the Vendors by bank transfer.

The Consideration was determined after arm's length negotiation between the Vendors and the Purchaser having regard to the net asset value of the Target Group as at 31 March 2015 and the net book value of the Land and the factory and structures erected thereon. The Directors consider that the Consideration was fair and reasonable and in the interest of the Company and its shareholders taken as a whole.

Conditions precedent

Completion shall be subject to and conditional upon, if applicable, the compliance with the shareholders' approval requirement under the Listing Rules by the Company in relation to the Agreement and the transactions contemplated thereunder.

If the condition precedent has not been fulfilled on or before 31 August 2015, the Vendors and the Purchaser shall not be bound to proceed with the transactions contemplated under the Agreement and the Agreement shall cease to be of any effect. Neither the Vendors nor the Purchaser shall have any obligations and liabilities towards each other, save in respect of (i) any claims arising out of any antecedent breach of the Agreement and (ii) a compensation in the amount of RMB800,000 (equivalent to approximately HK\$1,000,000) to be made by the Vendors to the Purchaser upon termination of the Agreement arising thereof.

Completion

Completion shall take place on 28 January 2016 or such other date as may be agreed by the Vendors and the Purchaser in writing.

Upon Completion, the Group shall cease to hold any interest in YGM Clothing and YGM Clothing will cease to be a subsidiary of the Company.

INFORMATION ON THE TARGET GROUP

YGM Clothing is principally engaged in the sale of garment and is also holding the entire equity interest of YGM Clothing (Dongguan) which is principally engaged in garment manufacturing.

As at the date of this announcement, the Land and the premises built on the Land were legally and beneficially owned by YGM Clothing (Dongguan) and were used for the purpose of garment manufacturing and staff quarters. No income such as rental fee was generated by the Land or the premises itself.

To facilitate the Disposal, the business of manufacturing and selling of garment of YGM Clothing and YGM Clothing (Dongguan) will be segregated (“**Segregation**”) and the Group will retain and continue such business of manufacturing and selling of garment after Completion. The unaudited (i) revenue, (ii) net profit/loss before tax, and (iii) net profit/loss after tax of the Target Group arising from manufacturing and selling of garment for the financial years ended 31 March 2014 and 2015 were approximately (i) HK\$71.7 million and HK\$70.2 million, (ii) a net profit before tax of HK\$1.4 million and a net loss before tax of HK\$2.1 million, and (iii) a net profit after tax of HK\$1.2 million and a net loss after tax of HK\$1.4 million, respectively.

The unaudited consolidated net liabilities of the Target Group as at 31 March 2015 were approximately HK\$8.9 million.

The above financial information has been prepared in accordance with HKGAAP.

FINANCIAL EFFECT OF THE DISPOSAL

The Group is expected to record a gain on disposal of approximately HK\$25.3 million, which is estimated based on, among other things, (i) the net asset value of the Target Group after the Segregation which primarily represents the net carrying amount of the Land and the premises erected on the Land; (ii) the Consideration; and (iii) the estimated related expenses and tax provision in relation to the Disposal. The actual gain as a result of the Disposal to be recorded by the Group may be different from the above mentioned estimation and will be assessed after Completion.

Upon Completion, the Target Group will no longer be subsidiaries of the Company and the Group will not consolidate the financial statements of the Target Group thereafter.

USE OF PROCEEDS FROM THE DISPOSAL

The Company intends to use the net proceeds from the Disposal as general working capital of the Group.

REASONS AND BENEFITS OF THE DISPOSAL

Having regard to the prevailing market conditions, the anticipated gain from the Disposal on the book of the Group and the receipt of proceeds from the Disposal for strengthening the financial position of the Group, the Directors consider that the present time is an opportune time for the Disposal. The Directors consider that the terms of the Agreement are fair and reasonable and in the interests of the Company and its Shareholders taken as a whole.

INFORMATION RELATING TO THE VENDORS AND THE PURCHASER

The Company is incorporated in Hong Kong with limited liability with its Shares listed on the Stock Exchange. The principal activity of the Company is investment holding. The Group is principally engaged in the manufacturing, retail and wholesale of world-renowned apparel and accessories, property investment and printing.

Luk Hop is incorporated in Hong Kong with limited liability and a direct wholly owned subsidiary of the Company. Luk Hop is principally engaged in property investment.

The Purchaser is a company established in the PRC with limited liability. The principal business activity of the Purchaser is manufacturing and sales of power supply accessories.

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A circular containing, among others, details of the Disposal and further information of the Group is expected to be despatched to the Shareholders on or before 28 July 2015.

As no Shareholder has a material interest in the Disposal, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Disposal and as the Company will obtain a written approval of the Disposal from a closely allied group of Shareholders who collectively hold 84,256,424 Shares in the Company, representing approximately 50.8% of the issued share capital of the Company, pursuant to Rule 14.44 of the Listing Rules, the Company is not required to convene a general meeting for approving the Disposal. Information of the closely allied group of Shareholders are as follows:

Name of beneficial shareholder	Relationship among the shareholders	No. of ordinary shares of the Company beneficially interested	Approximate percentage of total issued share capital of the Company as of the date of the written approval
Chan Wing Sun Samuel	Brother of Chan Wing Fui Peter and Chan Suk Ling Shirley	15,569,847 ^(Note)	9.4%
Chan Suk Ling Shirley	Sister of Chan Wing Fui Peter and Chan Wing Sun Samuel	6,912,272	4.2%
Fu Sing Yam William	Cousin of Chan Wing Fui Peter, Chan Wing Sun Samuel and Chan Suk Ling Shirley	2,075,462	1.3%
Chan Wing Kee	Brother of Chan Wing To	9,346,776	5.6%
Chan Wing To	Brother of Chan Wing Kee	11,571,367	7.0%

Andrew Chan	Son of Chan Wing Fui, Peter, the nephew of Chan Wing Sun Samuel, Madam Chan Suk Ling Shirley, Chan Wing Kee, Chan Wing To and Fu Sing Yam William	392,000	0.2%
Chan Family Investment Corporation Limited	Company owned by members of the Chan family comprising Chan Wing Fui Peter, Chan Wing Sun Samuel, Fu Sing Yam William, Chan Wing Kee, Chan Wing To and Chan Suk Ling Shirley and other members of the Chan family	36,791,700	22.2%
Super Team International Limited	Company indirectly owned by the Chan family comprising Chan Wing Kee, Chan Wing To and other members of the Chan family	1,597,000	0.9%
	Aggregate:	84,256,424	50.8%

Note: Out of the 15,569,847 Shares beneficially interested by Chan Wing Sun Samuel, 3,572,144 Shares were held by Runneymede Consultants Limited, 3,219,000 Shares were held by Keng Tin Enterprises Limited and 1,302,631 Shares were held by Priority Holdings Limited, all of which are beneficially owned by Chan Wing Sun Samuel and his family members.

RESUMPTION OF TRADING

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DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions have the following meanings:

“Agreement”	the sale and purchase agreement dated 6 July 2015 entered into between the Vendors and the Purchaser relating to the Disposal
“Board”	the board of directors
“Company”	YGM Trading Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed and traded on the Stock Exchange
“Completion”	completion of the sale and purchase of the Sale Shares pursuant to the Agreement
“connected person(s)”	having the meaning ascribed to it under the Listing Rules

“Consideration”	the total consideration in the sum of RMB45,200,000 (equivalent to approximately HK\$56,500,000) payable by the Purchaser to the Vendors for the Disposal under the Agreement
“Directors”	the directors of the Company
“Disposal”	the disposal of the Sale Shares by the Vendors to the Purchaser pursuant to the Agreement
“Group”	the Company and its subsidiaries
“HKGAAP”	Hong Kong Generally Accepted Accounting Practices
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of and not connected with the Company and its connected persons of the Company in accordance with the Listing Rules
“Land”	a parcel of land located at Chukeng Management District, Dongkeng Town, Dongguan City (東莞市東坑鎮初坑管理區) with a site area of 58,347 sq. m. which can be used for industrial purposes
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Luk Hop”	Luk Hop Garments Limited, a company incorporated in Hong Kong with limited liability and a direct wholly owned subsidiary of the Company
“PRC”	the People’s Republic of China, for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	深圳市邁思普電子有限公司, a company established in the PRC with limited liability and an Independent Third Party
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	200 issued shares of YGM Clothing, being the entire issued share capital of YGM Clothing
“Share(s)”	ordinary share(s) in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the issued Shares from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Group”	YGM Clothing and YGM Clothing (Dongguan)
“Vendors”	the Company and Luk Hop

“YGM Clothing”	YGM Clothing Limited (長江西服有限公司), a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Company
“YGM Clothing (Dongguan)”	YGM Clothing (Dongguan) Limited (長江西服(東莞)有限公司), a wholly foreign owned enterprise established in the PRC with limited liability and a wholly owned subsidiary of YGM Clothing
“%”	per cent

By Order of the Board of Directors
YGM Trading Limited
Chan Wing Sun, Samuel
Vice Chairman

Hong Kong, 7 July 2015

As at the date of this announcement, the Board comprises seven executive directors, namely Mr. Chan Wing Fui, Peter, Mr. Chan Wing Sun, Samuel, Madam Chan Suk Ling, Shirley, Mr. Fu Sing Yam, William, Mr. Chan Wing Kee, Mr. Chan Wing To and Mr. Andrew Chan, and four independent non-executive Directors, namely Mr. Leung Hok Lim, Mr. Lin Keping, Mr. Sze Cho Cheung, Michael and Mr. Choi Ting Ki.