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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in the Company, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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YGM TRADING LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00375)

**VERY SUBSTANTIAL DISPOSAL
IN RELATION TO THE DISPOSAL OF A SUBSIDIARY
AND
NOTICE OF EGM**

Capitalised terms used in this cover page shall have the same meanings at those defined in the section headed “Definitions” of this circular.

A notice convening the EGM to be held at 22 Tai Yau Street, San Po Kong, Kowloon, Hong Kong on Wednesday, 19 April 2017 at 11:30 a.m. is set out on pages EGM-1 to EGM-2 of this circular.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

28 March 2017

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DEFINITIONS

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

“Aquascutum Business”	all business operations in relation to the manufacturing and sales of products under the “Aquascutum” brand and the intellectual property rights associated with the brand;
“Board”	the board of Directors;
“BVI”	the British Virgin Islands;
“Company”	YGM Trading Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed and traded on the Stock Exchange;
“Completion”	completion of the Disposal in accordance with the terms and conditions of the Disposal Agreement;
“Completion Date”	the date on which Completion is to take place in accordance with the terms and conditions of the Disposal Agreement;
“Conditions”	the conditions precedent to Completion as set out in the sub-section headed “Conditions precedent” in the section headed “Letter from the Board” in this circular;
“Consideration”	the aggregate consideration payable by the Purchaser to the Vendor for the Sale Share under the Disposal Agreement;
“Director(s)”	the director(s) of the Company;
“Disposal”	the disposal of the entire issued share capital of the Target Company by the Company to the Purchaser;
“Disposal Agreement”	the conditional disposal agreement dated 28 February 2017 entered into between the Company and the Purchaser in relation to the Disposal;
“Disposal Group”	the Target Company and its subsidiaries (<i>Note</i>);
“EGM”	the extraordinary general meeting of the Company to be convened to consider, and it thought fit, approve the Disposal;
“Group”	the Company and its subsidiaries from time to time;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Third Party(ies)”	party(ies) who is/are third party(ies) independent of the Company and its connected persons (as defined in the Listing Rules);
“Latest Practicable Date”	means 24 March 2017, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	30 June 2017;
“MOU”	the memorandum of understanding dated 17 October 2016 and entered into between (i) the Company; and (ii) Ruyi Renown Japan Incorporated and Shandong Ruyi Technology Group Co., Limited (both being affiliates of the Purchaser) in respect of the Disposal;

DEFINITIONS

“PRC”	the People’s Republic of China, which, for the purpose of this circular, shall exclude Hong Kong, Macau and Taiwan;
“Purchaser”	Jining Ruyi Investment Co. Ltd. (濟寧如意投資有限公司), a company established in the PRC with limited liability, being the purchaser under the Disposal Agreement;
“Remaining Group”	the Company and its subsidiaries excluding the Disposal Group;
“Retained Entities”	Guangzhou Yangtzekiang Trading Company Limited (廣州市揚子江貿易有限公司) and YGM Marketing (Shanghai) Company Limited (益豐(上海)商貿有限公司), which are companies established in the PRC and have engaged in the Aquascutum Business as well as other operations of the Remaining Group in the past. The Retained Entities will cease to engage in any Aquascutum Business after the Completion, and will remain in the Remaining Group;
“Sale Share”	one share of US\$1.00 of the Target Company, representing the entire issued share capital of the Target Company as at the date of this circular;
“Shareholder(s)”	holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company”	Aquascutum Holdings Limited (雅格獅丹控股有限公司), a company incorporated in the BVI on 29 May 2012, which is a wholly owned subsidiary of the Company;
“GBP”	British pound sterling, the lawful currency of the United Kingdom of Great Britain and Northern Ireland;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“RMB”	Renminbi, the lawful currency of the PRC; and
“US\$”	United States dollars, the lawful currency of the United States of America.

Note:

During the three years ended 31 March 2014, 2015 and 2016 and the six months ended 30 September 2016, the Retained Entities had engaged in the Aquascutum Business as well as other operations of the Remaining Group. The Retained Entities will cease to engage in any Aquascutum Business after the Completion, and will remain in the Remaining Group.

Any reference in this circular to the “historical financial information of the Disposal Group” or similar expressions shall mean the historical financial information of the Disposal Group as well as that of the Retained Entities in so far as it is related to the Aquascutum Business.

Unless otherwise specified herein, translations of US\$ and GBP into HK\$ are made for illustration purposes at the rates of US\$:HK\$7.76 and GBP1:HK\$9.67.

In this circular, the English names of the PRC authority/entities/property are translations of their Chinese names, and are included herein for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.

LETTER FROM THE BOARD

YGM TRADING LIMITED

(incorporated in Hong Kong with limited liability)

(Stock Code: 00375)

Executive Directors:

Chan Wing Sun, Samuel (*Chairman*)
Chan Suk Ling, Shirley (*Vice Chairman*)
Fu Sing Yam, William (*Chief Executive Officer*)
Andrew Chan (*Managing Director*)
Chan Wing Fui, Peter
Chan Wing Kee
Chan Wing To

Registered Office:

22 Tai Yau Street
San Po Kong
Kowloon
Hong Kong

Independent Non-executive Directors:

Leung Hok Lim
Lin Keping
Sze Cho Cheung, Michael
Choi Ting Ki

28 March 2017

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE DISPOSAL OF A SUBSIDIARY AND NOTICE OF EGM

INTRODUCTION

Reference is made to the Company's announcement dated 2 March 2017 in relation to the Disposal.

On 28 February 2017 (after trading hours of the Stock Exchange), the Company and the Purchaser entered into the Disposal Agreement, pursuant to which the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Share at the Consideration of US\$117 million. Completion shall be conditional, among other things, upon the approval of the Disposal Agreement and the transactions contemplated thereunder by the Shareholders at the EGM.

As one of the applicable percentage ratios set forth under Rule 14.07 of the Listing Rules in respect of the Disposal is 75% or more, the Disposal constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The EGM will be convened and held for the Shareholders to consider and, if thought fit, to approve the Disposal. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholders have any material interest in the Disposal or are required to abstain from voting at the EGM to approve the Disposal.

The purpose of this circular is to provide you with, among other things, (i) further details of the Disposal Agreement and the transactions contemplated therein, and such other information as required to be included in this circular by the Listing Rules; and (ii) a notice of the EGM.

LETTER FROM THE BOARD

THE DISPOSAL AGREEMENT

Set out below are the principal terms of the Disposal Agreement:

Date: 28 February 2017

Parties: (i) The Company, as vendor; and
(ii) Jining Ruyi Investment Co. Ltd. (濟寧如意投資有限公司), as Purchaser.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser is a limited liability company established in the PRC and the holding company of the Ruyi Group which is a leading textile manufacturer in the PRC principally engaged in textile offerings and owning a fully-integrated value chain with operations spanning across raw materials cultivation, textiles processing, and design and sale of brands and apparel, and the Purchaser and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Subject matter of the Disposal

Pursuant to the Disposal Agreement, the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Sale Share, being the entire issued share capital of the Target Company, which is legally and beneficially owned by the Company, free from all encumbrances and together with all rights and advantages attaching to them as at Completion.

Consideration

The Consideration for the Disposal is US\$117 million (equivalent to approximately HK\$907.9 million).

The Consideration shall be satisfied in the following manner:

- (i) the Deposit of US\$5 million (equivalent to approximately HK\$38.8 million) paid by Ruyi Renown Japan Incorporated and Shandong Ruyi Technology Group Co., Limited on behalf of the Purchaser to the Company upon signing of the MOU shall be applied and credited towards the Consideration at Completion; and
- (ii) the remaining balance of the Consideration in the amount of US\$112 million (equivalent to approximately HK\$869.1 million) to be paid at Completion by the Purchaser to the Company.

The Deposit shall be returned to the Purchaser in the event that the Company could not obtain the approval of the Disposal from the Shareholders at the EGM before the Long Stop Date.

The Consideration was determined after arm's length negotiations between the Purchaser and the Company with reference to the adjusted unaudited net asset value of the Disposal Group of approximately HK\$584.9 million as at 30 September 2016 (as adjusted taking into account the assignment of an amount of not less than HK\$773.0 million due to the Remaining Group from the Disposal Group to the Purchaser upon Completion pursuant to the Disposal Agreement).

Conditions precedent

Completion of the Disposal Agreement shall be subject to the fulfillment of the following Conditions:

- (i) the Company having obtained the approval from the Shareholders at the EGM for the Disposal Agreement and the transactions contemplated thereunder; and
- (ii) the obtaining of the filings with or by PRC authorities with respect to the Disposal to be obtained by the Purchaser, including the filings with of the National Development and Reform Commission of the PRC and the Ministry of Commerce of the PRC with respect to the consummation of the Disposal, and foreign exchange filings by authorised banks and supervised by the State Administration of Foreign Exchange of the PRC in connection with the Disposal.

LETTER FROM THE BOARD

In the event that the above Conditions are not fulfilled on or before the Long Stop Date (or such other date that may be agreed by the parties in writing), the Disposal Agreement shall cease to have effect immediately except for any rights or liabilities that have accrued prior to that time.

Completion

Completion shall take place after all of the Conditions have been satisfied on the later of (a) the third business day after Condition (i) above has been satisfied; and (b) the 30th business day after Condition (ii) above has been satisfied, or at such other date as the parties to the Disposal Agreement mutually agree in writing.

INFORMATION ON THE DISPOSAL GROUP

The Target Company, a wholly-owned subsidiary of the Company, is a company incorporated in the BVI with limited liability and acts as investment holding company of the Disposal Group which in turn is currently engaged in the Aquascutum Business.

During the three years ended 31 March 2014, 2015 and 2016 and the six months ended 30 September 2016, the Retained Entities had engaged in the Aquascutum Business as well as other operations of the Remaining Group. After the Completion, the Retained Entities will cease to engage in any Aquascutum Business and they will no longer own any assets and liabilities that will be related to the Aquascutum Business carried out after the Completion. The Retained Entities will remain in the Remaining Group.

Any reference in this circular to the “historical financial information of the Disposal Group” or similar expressions shall mean the historical financial information of the Disposal Group as well as that of the Retained Entities in so far as it is related to the Aquascutum Business.

Financial information of the Disposal Group

Set out below is the financial information of the Disposal Group as extracted from its unaudited management accounts prepared in accordance with the HKFRSs for the two years ended 31 March 2016 and six months ended 30 September 2016:

	For the year ended 31 March		For the six months ended
	2015	2016	30 September
	<i>HK\$'000</i>	<i>HK\$'000</i>	2016
			<i>HK\$'000</i>
Revenue	633,918	510,669	191,172
Net profit/(loss) before taxation	42,009	(116,701)	(45,237)
Net profit/(loss) after taxation	37,302	(120,247)	(43,344)

	As at 31 March		As at
	2015	2016	30 September
	<i>HK\$'000</i>	<i>HK\$'000</i>	2016
			<i>HK\$'000</i>
Total assets	756,192	688,723	668,297
Total liabilities	801,587	854,321	881,409
Net liabilities	45,395	165,598	213,112

As at 30 September 2016, the unaudited net liability value of the Disposal Group was approximately HK\$213.1 million and were mainly made up of an amount due to the Remaining Group from the Disposal Group of approximately HK\$773.0 million as of 30 September 2016. Total assets of the Disposal Group were approximately HK\$668.3 million as at 30 September 2016.

LETTER FROM THE BOARD

REASONS FOR, AND BENEFITS OF, THE DISPOSAL

The Group is principally engaged in garment manufacturing, wholesaling and retailing, trademark ownership and licensing, property investment and provision of security printing, general business printing and trading of printing products.

In September 2009, the Group acquired the intellectual property rights of Aquascutum in 42 countries and regions in Asia for GBP13.7 million (approximately HK\$132.5 million at current exchange rate). In May 2012, the Group acquired the intellectual property rights of Aquascutum worldwide except the Asian regions and certain assets in relation to Aquascutum apparel retail business in the United Kingdom for GBP15 million (approximately HK\$145.1 million at current exchange rate). The Group hence completed global unification of Aquascutum, and became the owner of the global intellectual property rights of Aquascutum.

Aquascutum is a high-end prestige apparel brand originated from the United Kingdom. Since the acquisition in 2009, the Group has invested heavily in Aquascutum Business by opening new shops and increasing the marketing activities, which, in the Directors' view, are essential in enhancing Aquascutum's global brand value.

However, as the global macroeconomic growth is expected to be unstable or even continue its downward trend in most regions, it is believed that overall consumption power and consumer sentiments lacked conspicuous growth momentum. The apparel industry (in particular the luxury and premium brand markets which the Aquascutum Business belongs) continued to face tremendous challenges. Coupled with the intensifying market competition and increasing choices for consumers, the market and business environment for the apparel industry remains very challenging.

The Directors believe that further and substantial investment would be needed to boost the Aquascutum Business to enhance its competitiveness and operating efficiency so as to lay a solid foundation for the Group's sustainable development, and that Aquascutum Business may continue to present pressure on the Group's overall profitability in the near future.

Based on the above, the Directors are of the view that the Disposal presents a good opportunity for the Group to realise its investment in the Aquascutum Business at a gain, improve the Group's financial and liquidity position and its cashflow, and provide further resources to enable the Group to grow its other businesses.

The Directors consider that the terms and conditions of the Disposal are fair and reasonable and are on normal commercial terms and are in the best interests of the Company and the Shareholders as a whole.

Save for the Disposal, the Company has not entered, or proposes to enter, into any agreement, arrangement, understanding or undertaking, whether formal or informal and whether express or implied, and any negotiation (whether concluded or not) with an intention to disposal of, downsize or terminate the existing businesses of the Company as at the date of this circular.

FINANCIAL EFFECTS OF AND USE OF PROCEEDS FROM THE DISPOSAL

Upon Completion, the Company will cease to hold any equity interest in the Target Company and the results of the Target Company will no longer be consolidated into the consolidated financial statements of the Company.

For illustrative purpose, the estimated gain on disposal as a result of the Disposal is approximately HK\$287.5 million, which is calculated based on (i) the Consideration of US\$117 million (equivalent to approximately HK\$907.9 million); (ii) deduction of the aggregate adjusted unaudited net asset value of the Disposal Group of approximately HK\$584.9 million as of 30 September 2016; (iii) deduction of exchange reserve to be released upon the disposal of approximately HK\$20.0 million as at 30 September 2016; and (iv) deduction of professional fees and other expenses attributable to the Disposal of approximately HK\$15.5 million.

It should be noted that the aforementioned estimations are for illustrative purpose only and do not purport to represent how the actual financial position of the Remaining Group will be upon Completion.

After deducting the estimated expenses, the net proceeds from the Disposal will amount to approximately HK\$892.4 million.

Subject to Completion, the Board currently intends to apply the net proceeds as follows:

LETTER FROM THE BOARD

- (i) as to approximately HK\$134 million to HK\$178 million (representing approximately 15%-20% of the total amount of the net proceeds) for funding its investments in acquiring new garment brands or entering into new licensing or distribution arrangements to diversify the Group's brand portfolio;
- (ii) as to approximately HK\$446 million to HK\$625 million (representing approximately 50%-70% of the total amount of the net proceeds) as its war chest for future investment should suitable opportunities arise and/or any possible distribution of dividend; and
- (iii) as to approximately HK\$134 million to HK\$178 million (representing approximately 15%-20% of the total amount of the net proceeds) as general working capital for the Remaining Group.

Accordingly, the Disposal will enable the Group to increase its working capital and improve its liquidity and strengthen the overall financial position and to facilitate its future development should opportunities arise.

As at the Latest Practicable Date, the Board has not identified or commenced negotiation in respect of any investment target.

The Board will review the Remaining Group's operations and financial position as well as the prevailing macro-economic condition from time to time, and formulate the uses of the net proceeds in such manners which will be in the best interest of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one or more applicable percentage ratio(s) (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal exceeds 75%, the Disposal constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules and is therefore subject to the announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholders have any material interest in the Disposal or are required to abstain from voting at the EGM to approve the Disposal.

EGM

A notice convening the EGM to be held at 22 Tai Yau Street, San Po Kong, Kowloon, Hong Kong on Wednesday, 19 April 2017 at 11:30 a.m. is set out on pages EGM-1 to EGM-2 of this circular.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

The resolution approving the Disposal will be voted by way of a poll at the EGM.

RECOMMENDATION

The Directors are of the opinion that the terms of the Disposal are fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Disposal and the transactions contemplated thereunder.

As Completion is subject to the fulfillment of the Conditions and may or may not proceed, Shareholders and potential investors should exercise caution when dealing in the Shares.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

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

1. FINANCIAL INFORMATION OF THE GROUP

The audited financial information of the Group for the three years ended 31 March 2016 and the unaudited financial information of the Group for the six months ended 30 September 2016 (including the notes thereto) are disclosed in the following documents and are incorporated by reference into this circular:

- Annual report of the Company for the year ended 31 March 2014 (pages 35 to 117)
- Annual report of the Company for the year ended 31 March 2015 (pages 29 to 112)
- Annual report of the Company for the year ended 31 March 2016 (pages 38 to 108)
- Interim report of the Company for the six months ended 30 September 2016 (pages 8 to 25)

The said annual and interim reports of the Company are available on the website of the Stock Exchange (www.hkexnews.hk), and the website of the Company (www.ygmtrading.com).

There was no qualified opinion issued for the audited financial information of the Group for the three years ended 31 March 2016.

2. INDEBTEDNESS

At the close of business on 31 January 2017, being the latest practicable date prior to the printing of this circular for the purpose of this indebtedness statement of the Group, the Group had outstanding unsecured bank loans and overdrafts of approximately HK\$7.5 million. The bank loans and overdrafts were guaranteed by the Company.

Save as disclosed above and apart from intra-group liabilities and normal trade and other payables, the Group did not have any borrowings (including bank overdrafts, liabilities under acceptances other than normal trade bills, acceptance credits and finance lease commitments), debt securities, mortgages and charges, loan capital and contingent liabilities or guarantees at the close of business on 31 January 2017.

3. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that the working capital available to the Group is sufficient for the Group's present requirements for at least the next 12 months from the date of publication of this circular in the absence of unforeseen circumstances after taking into account (i) the internal resources of the Group, (ii) the available credit facilities of the Group, and (iii) the net proceeds from the Disposal.

4. MATERIAL ADVERSE CHANGE

The Directors have confirmed that they were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2016, being the date to which the latest published audited accounts of the Company were made up to.

5. FINANCIAL AND TRADING PROSPECTS OF THE REMAINING GROUP

The Remaining Group is principally engaged in the sales of garments, which included the manufacture and sales of garments manufactured at its production plant in Dongguan coupled with the retailing and wholesaling of branded garments, leather goods and accessories. The Remaining Group is the exclusive licensee and distributor of "Ashworth" in Hong Kong, Macau, Taiwan and the PRC, and the exclusive distributor of "J.Lindeberg" in Hong Kong and Macau. The Remaining Group is also engaged in the licensing of trademarks, printing and related services and property rental.

Retail and wholesale of branded garments, leather goods and accessories, which is the Remaining Group's principal business, is expected to remain challenging. Rental of retail shops continues to suppress the profitability of the Remaining Group. The Remaining Group is still absorbing the adverse impact of significant rent increases in past years in Hong Kong, Macau and the PRC. The management is working hard to minimise the effects of these adverse conditions with cost control and re-negotiation with landlords wherever possible.

In spite of the macro-economic challenges, the Remaining Group continues to pursue new opportunities. During the six months ended 30 September 2016, the Remaining Group has entered into distribution agreements with “Harmont & Blaine” and “Tommy Bahama” respectively. The Remaining Group was appointed as the exclusive distributor of “Harmont & Blaine” in Hong Kong, Macau, Taiwan and the PRC, and the exclusive distributor of “Tommy Bahama” in Hong Kong, Macau and the PRC. “Harmont & Blaine” was launched in March 2017 and “Tommy Bahama” is scheduled to be launched in fall and winter 2017. However, in light of the high operating costs, especially shop rental, the Remaining Group will remain prudent regarding the shop network expansion plan of these new brands.

6. MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

The following discussion and analysis relates to the illustrative and unaudited pro forma results of operations and financial condition of the Remaining Group for the purpose of illustrating the financial performance and condition of the Remaining Group as if the Remaining Group had been in existence throughout the years ended 31 March 2014, 2015 and 2016, and the six months ended 30 September 2016.

(A) FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

Business and Financial Review

On 19 August 2016, the Remaining Group entered into a preliminary sale and purchase agreement with an independent thirty party for the sale of the whole of Ground Floor, Lead On Industrial Building, No. 18 Ng Fong Street, San Po Kong, Kowloon, Hong Kong at a consideration of HK\$66.8 million. The sale was completed on 30 December 2016.

The six months ended 30 September 2016 has proven to be challenging. The Remaining Group recorded a loss for the period which was mainly attributable to the significant decrease in the sales in the retail and wholesale of branded garments, leather goods and accessories caused by a decline in the retail markets in which the Remaining Group operates, particularly in Hong Kong and the PRC.

The Remaining Group recorded total revenue of approximately HK\$161.7 million for the period. Sales of garments recorded revenue of approximately HK\$120.0 million. Licensing of trademarks income from external customers decreased to approximately HK\$17.7 million. Printing and related services decreased to approximately HK\$17.0 million. Property rental income remained steady at approximately HK\$7.0 million.

The Remaining Group recorded unaudited net loss of approximately HK\$22.4 million for the period (2015: approximately HK\$24.0 million). The decrease in unaudited net loss was mainly due to a gain on valuation of investment property of approximately HK\$1.8 million (2015: nil) and a write back of over-provision of legal and professional expenses in respect of the proposed spin-off and separate listing of the Remaining Group’s security printing business on the Growth Enterprise Market (“GEM”) of the Stock Exchange totaling approximately HK\$2.7 million whereas total expenses of approximately HK\$9.2 million were incurred in the same period last year.

Financial Position

The Remaining Group financed its operations by internally generated cashflows and banking facilities provided by its bankers. The Remaining Group continued to maintain a prudent approach in managing its financial requirements.

The Remaining Group’s net assets as at 30 September 2016 were approximately HK\$1,378.7 million. The Remaining Group’s gearing ratio at the end of the period was 0.025 which was calculated based on total borrowings of approximately HK\$33.5 million and shareholders’ equity of approximately HK\$1,354.2 million. The Remaining Group’s borrowings were mainly on a floating rate basis.

Foreign Exchange Rate Risk

The Remaining Group was exposed to currency risk primarily through income and expenditure streams denominated in United States Dollars, Pound Sterling, Euros, Renminbi Yuan and Japanese Yen. To manage currency risks, non-Hong Kong Dollar assets were financed primarily by matching local currency debts as far as possible.

Pledge of Assets

As at 30 September 2016, the Remaining Group did not have any pledge of assets.

Contingent Liabilities

As at 30 September 2016, the Remaining Group did not have any significant contingent liabilities.

Capital Commitments

As at 30 September 2016, the Remaining Group did not have any significant capital commitments.

Employment and Remuneration Policies

As at 30 September 2016, the Remaining Group had approximately 1,200 employees. The staff costs of the Remaining Group (including directors' remuneration) were approximately HK\$62.5 million. The Remaining Group offered competitive remuneration packages including medical subsidies and retirement scheme contributions to its employees in compensation for their contribution. In addition, discretionary bonuses may also be granted to the eligible employees based on the Remaining Group's and individuals' performance.

(B) FOR THE YEAR ENDED 31 MARCH 2016

Business and Financial Review

On 13 April 2015, the Company applied to the Stock Exchange for the listing of the shares of HKSP Holdings Limited ("HKSPH") on the GEM ("Proposed Spin-off") by way of placing of the shares of HKSPH with professional and institutional investors and distribution in specie whereby a portion of the entire issued share capital of HKSPH would be allocated to shareholders of the Company in proportion to their respective shareholding in the Company. On 9 September 2015, HKSPH was notified by the Listing Division of the Stock Exchange that the listing application was rejected. The Company and HKSPH had considered the advice from the professional parties and decided to postpone the Proposed Spin-off indefinitely. Legal and professional expenses in respect of the Proposed Spin-off amounting to approximately HK\$9.2 million were incurred during the year ended 31 March 2016.

On 6 July 2015, the Company and Luk Hop Garments Limited ("Luk Hop"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party relating to the disposal of the entire issued shares of YGM Clothing Limited ("YGM Clothing") at a cash consideration of RMB45.2 million (equivalent to approximately HK\$54.8 million). Each of the Company and Luk Hop held 50% of the issued shares of YGM Clothing. YGM Clothing was the sole shareholder of YGM Clothing (Dongguan) Limited 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 would expire in February 2044. The disposal was completed on 28 January 2016. A net gain on disposal of approximately HK\$29.8 million was recognised during the year ended 31 March 2016.

Retail and wholesale of branded garments, leather goods and accessories business in Hong Kong and the PRC, the Remaining Group's principal operating markets, were adversely impacted by economic and exchange rate factors during the year ended 31 March 2017. In the Hong Kong market, diminished inbound tourist traffic growth, in particular from the PRC, was attributed to the strength of the Hong Kong dollar and the easing of immigration in multiple tourist destinations. Slow economic growth continued to cause considerable impact on consumer spending in the PRC market.

The Remaining Group recorded total revenue of approximately HK\$413.2 million for the year ended 31 March 2016. Sales of garments recorded revenue of approximately HK\$324.4 million. Licensing of trademarks income from external customers decreased to approximately HK\$38.4 million. Printing and related services decreased to approximately HK\$37.3 million. Property rental income increased to approximately HK\$13.1 million which was mainly due to additional rental income from the premises in London acquired in June 2014.

As a result of a net gain of approximately HK\$29.8 million derived from disposal of the entire issued shares of YGM Clothing, the Remaining Group recorded unaudited net profit of approximately HK\$29.3 million for the

year ended 31 March 2016 despite (i) a significant decrease in sales in the retail and wholesale of branded garments, leather goods and accessories caused by a decline in the retail markets in which the Remaining Group operates, particularly in Hong Kong and the PRC; and (ii) the incurring of the legal and professional expenses of approximately HK\$9.2 million in respect of the Proposed Spin-off in the year. Furthermore, a net gain on valuation of investment property of HK\$5.2 million was recorded in the year ended 31 March 2016.

Financial Position

The Remaining Group financed its operations by internally generated cashflows and banking facilities provided by its bankers. The Remaining Group continued to maintain a prudent approach in managing its financial requirements.

The Remaining Group's net assets as at 31 March 2016 were approximately HK\$1,451.8 million. The Remaining Group's gearing ratio at the end of the period was 0.019 which was calculated based on total borrowings of approximately HK\$27.0 million and shareholders' equity of approximately HK\$1,426.3 million. The Remaining Group's borrowings were mainly on a floating rate basis.

Foreign Exchange Rate Risk

The Remaining Group was exposed to currency risk primarily through income and expenditure streams denominated in United States Dollars, Pound Sterling, Euros, Renminbi Yuan and Japanese Yen. To manage currency risks, non-Hong Kong Dollar assets were financed primarily by matching local currency debts as far as possible.

Pledge of Assets

As at 31 March 2016, the Remaining Group did not have any pledge of assets.

Contingent Liabilities

As at 31 March 2016, the Remaining Group did not have any significant contingent liabilities.

Capital Commitments

As at 31 March 2016, the Remaining Group did not have any significant capital commitments.

Employment and Remuneration Policies

As at 31 March 2016, the Remaining Group had approximately 1,000 employees. The staff costs of the Remaining Group (including directors' remuneration) were approximately HK\$118.7 million. The Remaining Group offered competitive remuneration packages including medical subsidies and retirement scheme contributions to its employees in compensation for their contribution. In addition, discretionary bonuses may also be granted to the eligible employees based on the Remaining Group's and individuals' performance.

(C) FOR THE YEAR ENDED 31 MARCH 2015

Business and Financial Review

On 13 April 2015, the Remaining Group applied to the Stock Exchange for the listing of the shares of HKSPH on GEM by way of the Proposed Spin-off. Legal and professional expenses in respect of the Proposed Spin-off amounting to approximately HK\$4.6 million were incurred during the year ended 31 March 2015.

In June 2014, the Remaining Group acquired a leasehold property located in the United Kingdom for a cash consideration of GBP13.9 million (equivalent to approximately HK\$181.4 million) and incurred transaction costs of GBP0.8 million (equivalent to approximately HK\$10.1 million).

The impact of a slowing PRC economy coupled with weakened PRC consumer market carried into the year ended 31 March 2015. The Remaining Group faced unprecedented challenges and its overall performance was negatively impacted.

The Remaining Group recorded total revenue of approximately HK\$502.3 million for the year ended 31 March 2015. Sales of garments recorded revenue of approximately HK\$409.1 million. Licensing of trademarks income from external customers decreased to approximately HK\$43.0 million. Printing and related services decreased to approximately HK\$45.6 million. Property rental income increased to approximately HK\$4.6 million.

As a result of a net gain on valuation of investment property of approximately HK\$45.0 million, the Remaining Group recorded unaudited net profit of approximately HK\$45.4 million for the year ended 31 March 2015 despite the incurring of the legal and professional expenses of approximately HK\$4.6 million in respect of the Proposed Spin-off.

Financial Position

The Remaining Group financed its operations by internally generated cashflows and banking facilities provided by its bankers. The Remaining Group continued to maintain a prudent approach in managing its financial requirements.

The Remaining Group's net assets as at 31 March 2015 were approximately HK\$1,510.4 million. The Remaining Group's gearing ratio at the end of the period was 0.008 which was calculated based on total borrowings of approximately HK\$12.4 million and shareholders' equity of approximately HK\$1,483.5 million. The Remaining Group's borrowings were mainly on a floating rate basis.

Foreign Exchange Rate Risk

The Remaining Group was exposed to currency risk primarily through income and expenditure streams denominated in United States Dollars, Pound Sterling, Euros, Renminbi Yuan and Japanese Yen. To manage currency risks, non-Hong Kong Dollar assets were financed primarily by matching local currency debts as far as possible.

Pledge of Assets

As at 31 March 2015, the Remaining Group did not have any pledge of assets.

Contingent Liabilities

As at 31 March 2015, the Remaining Group did not have any significant contingent liabilities.

Capital Commitments

As at 31 March 2015, the Remaining Group did not have any significant capital commitments.

Employment and Remuneration Policies

As at 31 March 2015, the Remaining Group had approximately 1,200 employees. The staff costs of the Remaining Group (including directors' remuneration) were approximately HK\$135.9 million. The Remaining Group offered competitive remuneration packages including medical subsidies and retirement scheme contributions to its employees in compensation for their contribution. In addition, discretionary bonuses may also be granted to the eligible employees based on the Remaining Group's and individuals' performance.

(D) FOR THE YEAR ENDED 31 MARCH 2014

Business and Financial Review

For the year ended 31 March 2014, the recession in Eurozone economies and the decline in consumer spending in the PRC affected adversely on the business of the Remaining Group in Hong Kong, Macau, Taiwan, the PRC and Europe.

The Remaining Group recorded total revenue of approximately HK\$548.4 million for the year ended 31 March 2014. Sales of garments recorded revenue of approximately HK\$447.2 million. Licensing of trademarks income from external customers was approximately HK\$51.8 million. Printing and related services was approximately HK\$46.4 million. Property rental income was approximately HK\$3.0 million.

As a result of a net gain on valuation of investment property of approximately HK\$28.7 million coupled with a write back of over-provision for indemnity liability of approximately HK\$30.0 million, the Remaining Group recorded unaudited net profit of approximately HK\$85.4 million for the year ended 31 March 2014.

Financial Position

The Remaining Group financed its operations by internally generated cashflows and banking facilities provided by its bankers. The Remaining Group continued to maintain a prudent approach in managing its financial requirements.

The Remaining Group's net assets as at 31 March 2014 were approximately HK\$1,595.7 million. The Remaining Group's gearing ratio at the end of the period was 0.011 which was calculated based on total borrowings of approximately HK\$16.8 million and shareholders' equity of approximately HK\$1,569.6 million. The Remaining Group's borrowings were mainly on a floating rate basis.

Foreign Exchange Rate Risk

The Remaining Group was exposed to currency risk primarily through income and expenditure streams denominated in United States Dollars, Pound Sterling, Euros, Renminbi Yuan and Japanese Yen. To manage currency risks, non-Hong Kong Dollar assets were financed primarily by matching local currency debts as far as possible.

Pledge of Assets

As at 31 March 2014, the Remaining Group did not have any pledge of assets.

Contingent Liabilities

As at 31 March 2014, the Remaining Group did not have any significant contingent liabilities.

Capital Commitments

As at 31 March 2014, the Remaining Group did not have any significant capital commitments.

Employment and Remuneration Policies

As at 31 March 2014, the Remaining Group had approximately 1200 employees. The staff costs of the Remaining Group (including directors' remuneration) were approximately HK\$154.2 million. The Remaining Group offered competitive remuneration packages including medical subsidies and retirement scheme contributions to its employees in compensation for their contribution. In addition, discretionary bonuses may also be granted to the eligible employees based on the Remaining Group's and individuals' performance.

UNAUDITED FINANCIAL INFORMATION OF THE DISPOSAL GROUP

Set out below are the unaudited combined statements of financial position of the Disposal Group as of 31 March 2014, 2015, 2016 and 30 September 2016, and the related unaudited combined statements of profit or loss, unaudited combined statements of profit or loss and other comprehensive income, unaudited combined statements of changes in equity and unaudited combined cash flow statements for each of the years ended 31 March 2014, 2015 and 2016 and the six months ended 30 September 2015 and 2016, and explanatory notes (collectively referred to as the “Unaudited Combined Financial Information”). The Unaudited Combined Financial Information has been prepared on the basis set out in section A below and prepared in accordance with paragraph 68(2)(a)(i) of Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The Company’s auditors, KPMG, have reviewed the Unaudited Combined Financial Information of the Disposal Group in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” and with reference to Practice Note 750 “Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal”, issued by the Hong Kong Institute of Certified Public Accountants.

A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable the auditors to obtain assurance that the auditors would become aware of all significant matters that might be identified in an audit. Accordingly, the auditors do not express an audit opinion.

Based on their review, nothing has come to their attention that causes them to believe that the Unaudited Combined Financial Information is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 below.

A UNAUDITED COMBINED FINANCIAL INFORMATION OF THE DISPOSAL GROUP

Unaudited combined statements of profit or loss for the years ended 31 March 2014, 2015 and 2016 and the six months ended 30 September 2015 and 2016
(Expressed in Hong Kong dollars)

	Year ended 31 March			Six months ended 30 September	
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000
Revenue	729,831	633,918	510,699	254,435	191,172
Cost of sales	(271,725)	(256,690)	(240,514)	(113,769)	(91,864)
Gross profit	458,106	377,228	270,185	140,666	99,308
Other income/(loss)	3,515	6,805	(13,907)	(2,707)	(5,094)
Distribution costs	(219,064)	(274,871)	(300,534)	(137,738)	(112,492)
Administrative expenses	(82,915)	(65,825)	(70,919)	(32,618)	(26,323)
Other operating expenses	(2,353)	(1,265)	(1,317)	(90)	(544)
Profit/(loss) from operations	157,289	42,072	(116,492)	(32,487)	(45,145)
Finance costs	—	(63)	(209)	(39)	(92)
Profit/(loss) before taxation	157,289	42,009	(116,701)	(32,526)	(45,237)
Income tax (expense)/credit	(21,030)	(4,707)	(3,546)	5,657	1,893
Profit/(loss) for the year/period	<u>136,259</u>	<u>37,302</u>	<u>(120,247)</u>	<u>(26,869)</u>	<u>(43,344)</u>
Attributable to:					
Equity shareholders of the Company	136,852	37,095	(118,121)	(25,792)	(42,591)
Non-controlling interests	(593)	207	(2,126)	(1,077)	(753)
Profit/(loss) for the year/period	<u>136,259</u>	<u>37,302</u>	<u>(120,247)</u>	<u>(26,869)</u>	<u>(43,344)</u>

Unaudited combined statements of profit or loss and other comprehensive income for the years ended 31 March 2014, 2015 and 2016 and the six months ended 30 September 2015 and 2016
(Expressed in Hong Kong dollars)

	Year ended 31 March			Six months ended 30 September	
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000
Profit/(loss) for the year/period	136,259	37,302	(120,247)	(26,869)	(43,344)
Other comprehensive income for the year/period (after tax and reclassification adjustments)					
<i>Item that may be reclassified subsequently to profit or loss:</i>					
Exchange differences on translation of financial statements of subsidiaries based outside Hong Kong	11,168	(17,941)	(1,051)	4,742	(4,174)
Other comprehensive income for the year/period	11,168	(17,941)	(1,051)	4,742	(4,174)
Total comprehensive income for the year/period	147,427	19,361	(121,298)	(22,127)	(47,518)
Attributable to:					
Equity shareholders of the Company	148,020	19,154	(119,174)	(21,048)	(46,805)
Non-controlling interests	(593)	207	(2,124)	(1,079)	(713)
Total comprehensive income for the year/period	147,427	19,361	(121,298)	(22,127)	(47,518)

Unaudited combined statements of financial position at 31 March 2014, 2015, 2016 and 30 September 2016

(Expressed in Hong Kong dollars)

	At 31 March			At 30 September
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000
Non-current assets				
Property, plant and equipment	33,693	43,286	26,740	27,510
Intangible assets	345,832	345,832	345,832	345,832
Rental deposits and prepayments	24,190	26,995	20,765	22,283
Deferred tax assets	19,369	23,604	19,950	20,069
	423,084	439,717	413,287	415,694
Current assets				
Inventories	150,949	187,762	173,994	160,809
Trade and other receivables	79,256	81,926	72,813	74,403
Current tax recoverable	319	239	2,017	2,317
Cash and cash equivalents	80,191	46,548	26,612	15,074
	310,715	316,475	275,436	252,603
Current liabilities				
Trade and other payables	701,493	795,815	849,647	875,697
Bank overdrafts	—	—	—	1,857
Current tax payable	43,347	3,781	2,396	1,616
	744,840	799,596	852,043	879,170
Net current liabilities	(434,125)	(483,121)	(576,607)	(626,567)
Total assets less current liabilities	(11,041)	(43,404)	(163,320)	(210,873)
Non-current liability				
Deferred tax liabilities	1,807	1,991	2,278	2,239
NET LIABILITY	(12,848)	(45,395)	(165,598)	(213,112)
CAPITAL AND RESERVES				
Share capital	—	—	—	—
Reserves	(14,005)	(47,971)	(167,182)	(213,987)
Total equity attributable to equity shareholders of the Company	(14,005)	(47,971)	(167,182)	(213,987)
Non-controlling interests	1,157	2,576	1,584	875
TOTAL DEFICIT	(12,848)	(45,395)	(165,598)	(213,112)

Unaudited combined statements of changes in equity for the years ended 31 March 2014, 2015 and 2016 and the six months ended 30 September 2015 and 2016

(Expressed in Hong Kong dollars)

	Share capital <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Retained profits/ (accumulated losses) <i>HK\$'000</i>	Non- controlling interests <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 April 2013	—	(7,350)	16,928	—	9,578
Changes in equity for the year ended 31 March 2014:					
Profit for the year	—	—	136,852	(593)	136,259
Other comprehensive income	—	11,168	—	—	11,168
Total comprehensive income	—	11,168	136,852	(593)	147,427
Shares of a subsidiary issued to non-controlling interests	—	—	—	175	175
Loan from non-controlling interests	—	—	—	1,575	1,575
Dividends declared in respect of the current year	—	—	(171,603)	—	(171,603)
Balance at 31 March 2014 and 1 April 2014	—	3,818	(17,823)	1,157	(12,848)
Changes in equity for the year ended 31 March 2015:					
Profit for the year	—	—	37,095	207	37,302
Other comprehensive income	—	(17,941)	—	—	(17,941)
Total comprehensive income	—	(17,941)	37,095	207	19,361
Dividends declared in respect of the current year	—	—	(53,120)	—	(53,120)
Loan from non-controlling interests	—	—	—	1,212	1,212
Balance at 31 March 2015 and 1 April 2015	—	(14,123)	(33,848)	2,576	(45,395)

	Share capital <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Non- controlling interests <i>HK\$'000</i>	Total <i>HK\$'000</i>
Changes in equity for the year ended 31 March 2016:					
Loss for the year	–	–	(118,121)	(2,126)	(120,247)
Other comprehensive income	–	(1,053)	–	2	(1,051)
Total comprehensive income	–	(1,053)	(118,121)	(2,124)	(121,298)
Dividends declared in respect of the current year	–	–	(37)	–	(37)
Loan from non-controlling interests	–	–	–	1,132	1,132
Balance at 31 March 2016 and 1 April 2016	–	(15,176)	(152,006)	1,584	(165,598)
Changes in equity for the six months ended 30 September 2016:					
Loss for the period	–	–	(42,591)	(753)	(43,344)
Other comprehensive income	–	(4,214)	–	40	(4,174)
Total comprehensive income	–	(4,214)	(42,591)	(713)	(47,518)
Loan from non-controlling interests	–	–	–	4	4
Balance at 30 September 2016	–	(19,390)	(194,597)	875	(213,112)
Balance at 1 April 2015	–	(14,123)	(33,848)	2,576	(45,395)
Changes in equity for the six months ended 30 September 2015:					
Loss for the period	–	–	(25,792)	(1,077)	(26,869)
Other comprehensive income	–	4,744	–	(2)	4,742
Total comprehensive income	–	4,744	(25,792)	(1,079)	(22,127)
Dividends declared in respect of the current year	–	–	(39)	–	(39)
Balance at 30 September 2015	–	(9,379)	(59,679)	1,497	(67,561)

Unaudited combined cash flow statements for the years ended 31 March 2014, 2015 and 2016 and the six months ended 30 September 2015 and 2016

(Expressed in Hong Kong dollars)

	Year ended 31 March			Six months ended 30 September	
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000
Operating activities					
Profit/(loss) before taxation	157,289	42,009	(116,701)	(32,526)	(45,237)
Adjustments for:					
Interest income	(1,075)	(172)	(142)	(90)	(25)
Net loss/(gain) on disposal of property, plant and equipment	13	(16)	1,375	516	1,596
Finance costs	–	63	209	39	92
Depreciation	12,499	18,385	21,071	10,603	6,288
Impairment loss on property, plant and equipment	–	–	16,507	–	–
Foreign exchange loss/(gain)	5,724	(10,324)	1,103	4,311	(106)
Changes in working capital:					
(Increase)/decrease in inventories	(11,057)	(36,813)	13,768	3,246	13,185
(Increase)/decrease in trade and other receivables	(5,264)	(8,371)	12,351	(9,792)	(6,826)
Increase in trade and other payables	78,034	95,827	55,068	47,051	27,607
Cash generated from/(used in) operations	<u>236,163</u>	<u>100,588</u>	<u>4,609</u>	<u>23,358</u>	<u>(3,426)</u>

	Year ended 31 March			Six months ended 30 September	
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000
Operating activities					
Cash generated from/(used in) operations	236,163	100,588	4,609	23,358	(3,426)
Tax paid					
Hong Kong Profits Tax paid	(4,250)	(47,648)	(3,284)	(3,068)	(65)
Tax paid outside Hong Kong	(6,288)	(2,083)	(8)	(81)	(4)
Net cash generated from/(used in) operating activities	<u>225,625</u>	<u>50,857</u>	<u>1,317</u>	<u>20,209</u>	<u>(3,495)</u>
Investing activities					
Payment for the purchase of property, plant and equipment	(30,975)	(33,181)	(23,054)	(9,505)	(10,421)
Proceeds from disposal of property, plant and equipment	37	340	—	—	4
Interest received	1,075	172	142	90	25
Net cash used in investing activities	<u>(29,863)</u>	<u>(32,669)</u>	<u>(22,912)</u>	<u>(9,415)</u>	<u>(10,392)</u>
Financing activities					
Proceeds from a loan from non-controlling interests	1,575	1,212	1,132	—	4
Proceeds from shares of a subsidiary issued to non-controlling interests	175	—	—	—	—
Interest paid	—	(63)	(209)	(39)	(92)
Dividends paid	(171,603)	(53,120)	(37)	(39)	—
Net cash (used in)/ generated from financing activities	<u>(169,853)</u>	<u>(51,971)</u>	<u>886</u>	<u>(78)</u>	<u>(88)</u>
Net increase/(decrease) in cash and cash equivalents	25,909	(33,783)	(20,709)	10,716	(13,975)
Cash and cash equivalents at the beginning of the year/period	53,580	80,191	46,548	46,548	26,612
Effect of foreign exchange rate changes	702	140	773	320	580
Cash and cash equivalents at the end of the year/period	<u>80,191</u>	<u>46,548</u>	<u>26,612</u>	<u>57,584</u>	<u>13,217</u>

NOTES TO THE UNAUDITED COMBINED FINANCIAL INFORMATION OF THE DISPOSAL GROUP

For the years ended 31 March 2014, 2015 and 2016 and six months ended 30 September 2015 and 2016

1 GENERAL INFORMATION

Pursuant to announcements on 17 October 2016 and 2 March 2017, YGM Trading Limited (the “Company”), a company incorporated in Hong Kong with its shares listed on The Stock Exchange of Hong Kong Limited has entered into a disposal agreement with Jining Ruyi Investment Co. Ltd. dated 28 February 2016 (the “Disposal Agreement”). Pursuant to the Disposal Agreement, the Company has conditionally agreed to sell, and Jining Ruyi Investment Co. Ltd. has conditionally agreed to acquire the entire issued share capital of Aquascutum Holdings Limited at a cash consideration of US\$117 million (equivalent to approximately HK\$907.9 million) (“the Disposal”). Aquascutum Holdings Limited, a wholly-owned subsidiary of the Company, and its subsidiaries (collectively referred to as the “Disposal Group”) are currently engaged in business operations in relation to the manufacturing and sales of products under the “Aquascutum” brand and the intellectual property rights associated with the brand (the “Aquascutum Business”).

During the years ended 31 March 2014, 2015 and 2016 and six months ended 30 September 2015 and 2016 (the “Relevant Periods”), two subsidiaries of the Company, namely Guangzhou YangtzeKiang Trading Co. Limited (廣州市揚子江貿易有限公司) and YGM Marketing (Shanghai) Co. Limited (益豐(上海)商貿有限公司) (the “Retained Entities”) had engaged in the Aquascutum Business which was then assumed by the Disposal Group. After the completion of the Disposal, the Retained Entities will cease to engage in any Aquascutum Business and will no longer own any assets and liabilities that will be related to the Aquascutum Business carried out after the Completion. The Retained Entities will remain as subsidiaries of the Company.

The particulars of entities in the Disposal Group are set out below:

Name of company	Place and date of incorporation/ establishment	Particulars of issued and paid up capital	Principal activities
Aquascutum Holdings Limited	British Virgin Islands 2 January 2002	1 share	Investment holding
Bentwood Limited	Hong Kong 13 June 1978	500,000 shares	Property leasing management and investment holding
Aquascutum Limited	Hong Kong 17 March 1994	2 shares	Investment holding, trademark ownership and licensing
Aquascutum International Limited	Hong Kong 19 August 1993	2 shares	Trademark promotion
Aquascutum International Licensing Limited	United Kingdom 1 September 2009	1 share	Trademark ownership and licensing
Aquascutum International Pte Ltd.	Singapore 12 May 2008	1 share	Dormant
Diagram Ltd.	Hong Kong 3 July 1980	2 shares	Investment holding

Name of company	Place and date of incorporation/ establishment	Particulars of issued and paid up capital	Principal activities
Aquascutum (Hong Kong) Limited	Hong Kong 31 December 1984	100 shares	Garment wholesaling and retailing
Aquascutum (Overseas) Limited	Hong Kong 22 June 1973	100 shares	Investment holding
Crystal Castle International Limited	Hong Kong 30 July 1996	500,000 shares	Leathers goods wholesaling and retailing
Aquasport Limited	Hong Kong 16 September 1980	2 shares	Dormant
Aquascutum (1851) Limited	United Kingdom 11 April 2012	1 share	Garment wholesaling and retailing
Guangzhou Benyeung Trading Co. Ltd.* (廣州市奔揚貿易有限公司)	The People's Republic of China ("PRC") 1 December 2012	RMB1,000,000	Garment wholesaling and retailing
Shanghai Benfung Trading Co. Ltd.* (上海奔豐貿易有限公司)	The PRC 25 October 2012	RMB500,000	Garment wholesaling and retailing
Bentwood Trading (Zhuhai) Co. Ltd. * (奔活貿易(珠海)有限公司)	The PRC 10 February 2006	US\$500,000	Garment wholesaling and retailing
Guangzhou Ying Yi Bao Trading Co. Ltd. * (廣州瑩堡逸貿易有限公司)	The PRC 11 February 2014	RMB1,000,000	Leather goods wholesaling and retailing

* The English translation of the companies name are for reference only. The official name of the companies are in Chinese.

Upon completion of the Disposal, the Company will cease to have control over the Disposal Group.

The Unaudited Combined Financial Information is presented in Hong Kong dollars. All values are rounded to the nearest thousand (HK\$'000) except otherwise indicated.

2 BASIS OF PREPARATION OF THE UNAUDITED COMBINED FINANCIAL INFORMATION

The unaudited combined financial information of the Disposal Group for the Relevant Periods (the "Unaudited Combined Financial Information") has been prepared in accordance with paragraph 68(2)(a)(i) of Chapter 14 of the Listing Rules, and solely for the purpose of inclusion in this circular to be issued by the Company in connection with the disposal of the Disposal Group.

The Unaudited Combined Financial Information of the Disposal Group comprise the historical financial information of Aquascutum Holdings Limited and its subsidiaries and the historical financial information of the Retained Entities in relation to the Aquascutum Business.

The Unaudited Combined Financial Information has been prepared in accordance with the same accounting policies as those adopted by the Group in the preparation of the combined financial statements of the Group for the Relevant Periods. The combined financial statements of the Group have been prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The Unaudited Combined Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 (Revised), *Presentation of financial statements*, or an interim financial report as defined in Hong Kong Accounting Standard 34, *Interim Financial Reporting*, issued by the HKICPA.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP**(A) BASIS OF PREPARATION OF THE UNAUDITED PRO FORMA INFORMATION OF
THE REMAINING GROUP****1. Introduction**

The following is a summary of illustrative unaudited pro forma financial information of the Remaining Group in connection with the disposal of the entire issued share capital of the Aquascutum Holdings Limited and its subsidiaries (collectively referred to as the “Disposal Group”) as described in the Section headed “Letter from the Board” in the Circular (the “Disposal”). The unaudited pro forma financial information presented below is prepared to illustrate (i) the financial position of the Remaining Group as at 30 September 2016 as if the Disposal had been completed on 30 September 2016; and (ii) the results and cash flows of the Remaining Group for the six months ended 30 September 2016 as if the Disposal had been completed on 1 April 2016.

The unaudited pro forma financial information is prepared in accordance with Paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and has been prepared by the Directors of the Company for illustrative purpose only.

Narrative descriptions of the unaudited pro forma adjustments that are directly attributable to the Disposal and factually supportable are summarised in the accompanying notes to the unaudited pro forma financial information.

The unaudited pro forma financial information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial results, cash flows and financial position of the Remaining Group had the Disposal been completed as of the specified dates or any other dates.

The unaudited pro forma financial information of the Remaining Group is based upon the combined financial information of the Group for the six months ended 30 September 2016, which has been derived from the Company’s interim report for the period then ended as referred to in Appendix I to this circular and the combined financial information of the Disposal Group for the six months ended 30 September 2016 as set out in Appendix II to this circular, and adjusted on a pro forma basis to reflect the effect of the Disposal. These pro forma adjustments are directly attributable to the Disposal and not relating to other future events and decisions.

The unaudited pro forma financial information of the Remaining Group should be read in conjunction with the historical financial information of the Group as set out in the published interim report of the Company for the six months ended 30 September 2016 and other financial information included elsewhere in this Circular.

2. Unaudited pro forma consolidated statement of financial position of the Remaining Group as at 30 September 2016
(Expressed in Hong Kong dollars)

	The Group as at 30 September 2016	Pro forma adjustments					The Remaining Group as at 30 September 2016
		HK\$'000 (Note (a))	HK\$'000 (Note (b))	HK\$'000 (Note (c))	HK\$'000 (Note (d))	HK\$'000 (Note (e))	
Non-current assets							
Investment properties	177,800	–					177,800
Other property, plant and equipment	149,151	(27,510)		93			121,734
	326,951	(27,510)					299,534
Intangible assets	447,882	(345,832)					102,050
Other financial assets	6,873	–					6,873
Lease premium	134	–					134
Rental deposits and prepayments	40,016	(22,283)		2,154			19,887
Deferred tax assets	60,281	(20,069)					40,212
	882,137	(415,694)					468,690
Current assets							
Trading securities	2,047	–					2,047
Inventories	258,701	(160,809)					97,892
Trade and other receivables	117,733	(74,403)		378			43,708
Current tax recoverable	3,147	(2,317)					830
Cash and cash equivalents	72,239	(15,074)		1,092	892,400		950,657
Assets held for sale	66,800	–					66,800
	520,667	(252,603)					1,161,934
Current liabilities							
Trade and other payables	159,765	(875,697)	773,043	28,688			85,799
Bank loans and overdrafts	35,358	(1,857)					33,501
Dividend payable	8,293	–					8,293
Current tax payable	4,080	(1,616)					2,464
	207,496	(879,170)					130,057
Net current assets	313,171	626,567					1,031,877
Total assets less current liabilities	1,195,308	210,873					1,500,567
Non-current liability							
Deferred tax liabilities	4,726	(2,239)					2,487
NET ASSETS	1,190,582	213,112					1,498,080

	The Group					The
	as at 30					Remaining
	September					Group as
2016	Pro forma adjustments					at 30
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	September
	(Note (a))	(Note (b))	(Note (c))	(Note (d))	(Note (e))	2016
						HK\$'000
CAPITAL AND RESERVES						
Share capital	383,909	–				383,909
Reserves	<u>781,282</u>	<u>213,987</u>	(773,043)	(24,971)	892,400	<u>1,089,655</u>
Total equity attributable to equity shareholders of the Company	1,165,191	213,987				1,473,564
Non-controlling interests	<u>25,391</u>	<u>(875)</u>				<u>24,516</u>
TOTAL EQUITY	<u>1,190,582</u>	<u>213,112</u>				<u>1,498,080</u>

Notes:

- (a) The amounts are extracted from the unaudited consolidated statement of financial position of the Group as at 30 September 2016 as set out in the published interim report of the Company for the six months ended 30 September 2016.
- (b) The adjustments represent the exclusion of assets and liabilities of the Disposal Group as if the Disposal had taken place on 30 September 2016 for the unaudited pro forma consolidated statement of financial position. The balances are extracted from the unaudited financial information of the Disposal Group as at 30 September 2016 as set out in Appendix II to this circular.
- (c) The adjustments represent the amount due to the Remaining Group by the Disposal Group. This liability will not be included in the assets and liabilities to be disposed under the terms of the Disposal Agreement.
- (d) After the completion of the Disposal, Guangzhou Yangtzekiang Trading Co. Limited (廣州市揚子江貿易有限公司) and YGM Marketing (Shanghai) Co. Limited (益豐(上海)商貿有限公司) (the “Retained Entities”) will cease to engage in any business operations in relation to the manufacturing and sales of products under the “Aquascutum” brand and the intellectual property rights associated with the brand (the “Aquascutum Business”) and will no longer own any assets and liabilities that will be related to the Aquascutum Business carried out after the Completion. The Retained Entities will remain as subsidiaries of the Remaining Group.
- The adjustments represent the assets and liabilities of the Retained Entities as at 30 September 2016 which will be retained by the Remaining Group.
- (e) The adjustments represent:
- (i) the consideration of USD117 million (equivalent to HK\$907.9 million) which is to be satisfied entirely by cash pursuant to the Disposal Agreement signed between the Company and the Purchaser on 28 February 2017.

- (ii) the estimated net gain on the Disposal as if it had taken place on 30 September 2016, which is as follows:

	<i>HK\$'000</i>
Total consideration for the Disposal	907,920
Less: Estimated transaction costs directly attributable to the Disposal (Note)	<u>(15,520)</u>
Estimated net proceeds from the Disposal (Note (i)(i) and (l))	892,400
Add: Net liabilities of the Disposal Group as at 30 September 2016	213,112
Less: Net liabilities of the Retained Entities as at 30 September 2016	(24,971)
Less: Net amount due to the Remaining Group by the Disposal Group	(773,043)
Less: Release of the cumulative exchange reserve of the Disposal Group upon the Disposal	<u>(19,999)</u>
Estimated gain on the Disposal	<u><u>287,499</u></u>

Note: The amount represents the estimated transaction costs directly attributable to the Disposal, including but not limited to legal and professional fees and other incidental costs, arising from the Disposal estimated by the Directors.

3. Unaudited pro forma consolidated statement of profit or loss of the Remaining Group for the six months ended 30 September 2016
(Expressed in Hong Kong dollars)

	The Group for the six months ended 30 September 2016	Pro forma adjustments			The Remaining Group for the six months ended 30 September 2016
		HK\$'000 (Note (f))	HK\$'000 (Note (g))	HK\$'000 (Note (h))	
Revenue	341,244	(191,172)	11,580		161,652
Cost of sales	<u>(150,271)</u>	<u>91,864</u>	(6,728)		<u>(65,135)</u>
Gross profit	190,973	(99,308)			96,517
Other (loss)/income	(2,516)	5,094	9,128		11,706
Distribution costs	(196,899)	112,492	(907)		(85,314)
Administrative expenses	(61,185)	26,323	(11,596)		(46,458)
Other operating expenses	<u>(1,427)</u>	<u>544</u>			<u>(883)</u>
Loss from operations	(71,054)	45,145			(24,432)
Valuation gain on an investment property	1,800	–			1,800
Net gain on disposal of subsidiaries	–	–		227,762	227,762
Finance costs	<u>(319)</u>	<u>92</u>			<u>(227)</u>
(Loss)/profit before taxation	(69,573)	45,237			204,903
Income tax credit	<u>2,549</u>	<u>(1,893)</u>	(244)		<u>412</u>
(Loss)/profit for the period	<u>(67,024)</u>	<u>43,344</u>			<u>205,315</u>
Attributable to:					
Equity shareholders of the Company	(65,357)	42,591	1,233	227,762	206,229
Non-controlling interests	<u>(1,667)</u>	<u>753</u>			<u>(914)</u>
(Loss)/profit for the period	<u>(67,024)</u>	<u>43,344</u>			<u>205,315</u>

4. Unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Remaining Group for the six months ended 30 September 2016
(Expressed in Hong Kong dollars)

	The Group for the six months ended 30 September 2016	Pro forma adjustments				The Remaining Group for the six months ended 30 September 2016
		HK\$'000 (Note (f))	HK\$'000 (Note (g))	HK\$'000 (Note (h))	HK\$'000 (Note (i))	
(Loss)/profit for the period	<u>(67,024)</u>	<u>43,344</u>			<u>205,315</u>	
Other comprehensive income for the period (after tax and reclassification adjustments)						
Item that may be reclassified subsequently to profit or loss:						
Exchange differences on translation of financial statements of subsidiaries based outside Hong Kong	<u>(21,825)</u>	<u>4,174</u>		15,400	<u>(2,251)</u>	
Other comprehensive income for the period	<u>(21,825)</u>	<u>4,174</u>			<u>(2,251)</u>	
Total comprehensive income for the period	<u>(88,849)</u>	<u>47,518</u>			<u>203,064</u>	
Attributable to:						
Equity shareholders of the Company	(87,222)	46,805	1,233	243,162	203,978	
Non-controlling interests	<u>(1,627)</u>	<u>713</u>			<u>(914)</u>	
Total comprehensive income for the period	<u>(88,849)</u>	<u>47,518</u>			<u>203,064</u>	

Notes:

- (f) The amounts are extracted from the unaudited consolidated statement of profit or loss and the unaudited consolidated statement of profit or loss and other comprehensive income of the Group for the six months ended 30 September 2016 as set out in the published interim report of the Company for the six months ended 30 September 2016.
- (g) The adjustments represent the exclusion of the results of the Disposal Group for the six months ended 30 September 2016 as if the Disposal had been completed on 1 April 2016. The balances are extracted from the unaudited financial information of the Disposal Group for the six months ended 30 September 2016 as set out in Appendix II to this circular.

(h) The adjustments represent the grossing up of the intercompany transactions between the Disposal Group and the Remaining Group, which were eliminated in the consolidated financial statements of the Group for the period ended 30 September 2016, made by the Group as if the Disposal had taken place on 1 April 2016.

(i) The adjustments represent:

(i) the estimated net gain on the Disposal as if it had taken place on 1 April 2016, which is as follows:

	<i>HK\$'000</i>
Estimated net proceeds from the Disposal mentioned in Note (e)(ii)	892,400
Add: Net liabilities of the Disposal Group as at 1 April 2016	165,598
Less: Net liabilities of the Retained Entities as at 1 April 2016	(20,187)
Less: Net amount due to the Remaining Group by the Disposal Group as at 1 April 2016	(794,649)
Less: Release of the cumulative exchange reserve of the Disposal Group upon the Disposal	<u>(15,400)</u>
Estimated gain on the Disposal	<u>227,762</u>

(ii) the reconciliation of the carrying amount of the net liabilities of the Disposal Group is shown as below:

	<i>HK\$'000</i>
Net liabilities of the Disposal Group as at 30 September 2016	(213,112)
Net loss and other comprehensive income arising from the Disposal Group for the six months ended 30 September 2016	47,518
Loan from non-controlling interests	<u>(4)</u>
Net liabilities of the Disposal Group as at 1 April 2016	<u>(165,598)</u>

5. Unaudited pro forma condensed consolidated cash flow statement of the Remaining Group for the six months ended 30 September 2016
(Expressed in Hong Kong dollars)

	The Group for the six months ended 30 September 2016			The Remaining Group for the six months ended 30 September 2016
	HK\$'000 (Note (j))	Pro forma adjustments		HK\$'000
		HK\$'000 (Note (k))	HK\$'000 (Note (l))	
Operating activities				
Cash used in operations	(40,861)	3,426		(37,435)
Tax (paid)/refunded	<u>(34)</u>	<u>69</u>		<u>35</u>
Net cash used in operating activities	<u>(40,895)</u>	<u>3,495</u>		<u>(37,400)</u>
Investing activities				
Payment for the purchase of other property, plant and equipment	(14,673)	10,421		(4,252)
Net cash inflow in respect of disposal of subsidiaries	–	–	866,880	866,880
Proceeds from disposal of assets held for sale	6,680	–		6,680
Other cash flows arising from investing activities	<u>165</u>	<u>(29)</u>		<u>136</u>
Net cash (used in)/generated from investing activities	<u>(7,828)</u>	<u>10,392</u>		<u>869,444</u>
Financing activities				
Proceeds from new bank loans	9,683	–		9,683
Repayments of bank loans	(16,709)	–		(16,709)
Other cash flows arising from financing activities	<u>(376)</u>	<u>88</u>		<u>(288)</u>
Net cash used in financing activities	<u>(7,402)</u>	<u>88</u>		<u>(7,314)</u>
Net (decrease)/increase in cash and cash equivalents	(56,125)	13,975		824,730
Cash and cash equivalents at the 1 April	90,310			90,310
Effect of foreign exchange rate changes	<u>10,601</u>	(580)		<u>10,021</u>
Cash and cash equivalents at the 30 September (Note (n))	<u>44,786</u>			<u>925,061</u>

Notes:

- (j) The amounts are extracted from unaudited condensed consolidated cash flow statements of the Group for the six months ended 30 September 2016 as set out in the published interim report of the Company for the six months ended 30 September 2016.
- (k) The adjustments represent the exclusion of cash flows of the Disposal Group for the six months ended 30 September 2016 as if the Disposal had been completed on 1 April 2016. The balances are extracted from the unaudited financial information of the Disposal Group as at and for the six months ended 30 September 2016 as set out in Appendix II to this circular.
- (l) The adjustments represent the net cash flow as if the Disposal had taken place on 1 April 2016:

	<i>HK\$'000</i>
Estimated net proceeds from the Disposal mentioned in Note (e)(ii)	892,400
Less: Cash and cash equivalents held by the Disposal Group as at 1 April 2016	(26,612)
Add: Cash and cash equivalents held by the Retained Entities as at 1 April 2016	<u>1,092</u>
 Net proceeds from the Disposal, net of cash disposed of	 <u><u>866,880</u></u>

- (m) The adjustments in respect of the unaudited pro forma consolidated statement of profit or loss, unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma condensed consolidated cash flow statement above are not expected to have a continuing effect on the Remaining Group.
- (n) Cash and cash equivalents of the Group before the Disposal as at 30 September 2016 include unsecured bank overdrafts of HK\$27,453,000. Thus, cash at bank and on hand of the Group before the Disposal as at 30 September 2016 is HK\$72,239,000. Cash at bank and on hand of the Remaining Group as at 30 September 2016 is HK\$950,657,000.
- (o) The estimated gain on the Disposal and net proceeds from the Disposal as illustrated above are subject to change on the date of completion of the Disposal. The actual carrying amount of the Disposal Group, cash and cash equivalents held by the Disposal Group and thus the gain or loss on Disposal and net proceeds from the Disposal at the date of completion will likely be different from those stated in the unaudited pro forma financial information.
- (p) No adjustment has been made to reflect any trading results or other transaction of the Group entered into subsequent to 30 September 2016.

**(B) INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's unaudited pro forma financial information for the purpose in this circular.



8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

28 March 2017

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF YGM TRADING LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of YGM Trading Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 September 2016, the unaudited pro forma consolidated statement of profit or loss, unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated cash flow statement for the six months ended 30 September 2016 and related notes as set out in Part A of Appendix III to the circular dated 28 March 2017 (the "Circular") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described in Part A of Appendix III to the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed disposal of the entire issued share capital of Aquascutum Holdings Limited and its subsidiaries (the "Disposal") on the Group's financial position as at 30 September 2016 and the Group's financial performance and cash flows for the six months ended 30 September 2016 as if the Disposal had taken place at 30 September 2016 and 1 April 2016, respectively. As part of this process, information about the Group's financial position as at 30 September 2016 and the Group's financial performance and cash flows for the six months ended 30 September 2016 has been extracted by the Directors from the interim report of the Company for the six months ended 30 September 2016, on which a review report has been published.

Directors' Responsibilities for the unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (“HKSAE”) 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on the unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at 30 September 2016 or 1 April 2016 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants’ judgement, having regard to the reporting accountants’ understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group, and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG*Certified Public Accountants*

Hong Kong

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Directors' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practice Date, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he/she is taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code of Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

(a) *Long position in the shares of the Company:*

Name of Directors	Number of ordinary shares in the Company			
	Personal interests (i)	Family interests	Corporate interests	Other interests
Chan Wing Sun, Samuel	7,476,072	250,000	8,093,775	(ii)&(iii)
Chan Suk Ling, Shirley	6,912,272	328,000	–	(ii)&(iii)
Fu Sing Yam, William	2,075,462	–	–	(ii)
Andrew Chan	392,000	–	–	–
Chan Wing Fui, Peter	24,068	12,230,051	–	(ii)&(iii)
Chan Wing Kee	9,346,776	1,012,035	–	(ii),(iii)&(iv)
Chan Wing To	11,571,367	–	–	(ii),(iii)&(iv)
Leung Hok Lim	145,000	–	–	–
Lin Keping	25,000	–	–	–

- (i) The shares are registered under the names of the directors and chief executives who are the beneficial owners.
- (ii) 36,791,700 shares of the Company were held by Chan Family Investment Corporation Limited (which is owned by Messrs Chan Wing Fui, Peter, Chan Wing Kee, Chan Wing Sun, Samuel, Chan Wing To and Fu Sing Yam, William, Madam Chan Suk Ling, Shirley and other members of the Chan family) and its subsidiaries.
- (iii) 120,400 shares of the Company were held by Hearty Development Limited which is indirectly owned by Messrs Chan Wing Fui, Peter, Chan Wing Kee, Chan Wing Sun, Samuel and Chan Wing To, Madam Chan Suk Ling, Shirley and other members of the Chan family.
- (iv) 1,597,000 shares of the Company were held by Super Team International Limited which is indirectly owned by Messrs Chan Wing Kee, Chan Wing To and other members of the Chan family.

(b) *Share options of the Company:*

As at the date of this circular, the Company did not have any effective share option scheme.

3. COMPETING INTEREST

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or their respective close associates had any interest in a business which competes or may compete, either directly or indirectly, with the business of the Group, or have or may have any other conflicts of interest with the Group.

4. DIRECTORS' SERVICE CONTRACTS

None of the Directors had entered or been proposed to enter into any service contract with the Company or any other member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation) as at the Latest Practicable Date.

5. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

Details of the related party transactions are set out in note 28 to the financial statements of the Group for the year ended 31 March 2016 in the annual report of the Company. Save as disclosed above, as at the Latest Practicable Date, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party. As at the Latest Practicable Date, save as disclosed in this circular, none of the Directors had any interest, directly or indirectly, in any assets which have been, since 31 March 2016 (being the date to which the latest published audited consolidated accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

6. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of the Group within the two years immediately preceding the date of this circular and are or may be material:

- (a) the sale and purchase agreement dated 6 July 2015 entered into among the Company and Luk Hop Garments Limited, a wholly-owned subsidiary of the Company, as vendors and Shenzhen Mass Power Electronic Limited (深圳市邁思普電子有限公司) as purchaser in relation to the sale and purchase of the entire issued share capital of YGM Clothing Limited at a consideration of RMB45,200,000;
- (b) the sale and purchase agreement dated 19 August 2016 entered into between Luk Hop Garments Limited, a wholly-owned subsidiary of the Company, as vendor and Asia Wonder Property Development and Planning Company Limited as purchaser in relation to the sale and purchase of the whole of Ground Floor, Lead On Industrial Building, No. 18 Ng Fong Street, San Po Kong, Kowloon, Hong Kong at a consideration of HK\$66,800,000; and
- (c) the Disposal Agreement.

7. EXPERT AND CONSENT

The following is the qualification of the expert or professional adviser who has given opinions or advices contained in this circular:

Name	Qualification
KPMG	Certified Public Accountants

As at the Latest Practicable Date, KPMG has given and has not withdrawn their written consents to the issue of this circular with the inclusion of their letters and references to their names in the form and context in which they appear.

As at the Latest Practicable Date, KPMG did not have any shareholding in any member of the Remaining Group or any right (whether legally enforceable or not) to subscribe for securities in any member of the Remaining Group.

As at the Latest Practicable Date, KPMG was not interested, directly or indirectly, in any assets which have been or are proposed to be acquired or disposed of by or leased to any member of the Remaining Group since 31 March 2016, the date to which the latest audited financial statements of the Company were made up.

8. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries were engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

9. GENERAL

- (a) The registered office and principal place of business of the Company is situated at 22 Tai Yau Street, San Po Kong, Kowloon, Hong Kong.
- (b) The share registrar and the transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (c) The company secretary of the Company is Mr. Leung Wing Fat. Mr. Leung is a fellow member of The Association of Chartered Certified Accountants and a fellow member of the Hong Kong Institute of Certified Public Accountants.
- (d) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text thereof.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any Business Day at the office of the Company at 22 Tai Yau Street, San Po Kong, Kowloon, Hong Kong from the date of this circular up to and including the date of the EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the Disposal Agreement;
- (c) the review report on the combined financial information of the Disposal Group;
- (d) the assurance report in respect of the unaudited pro forma financial information of the Remaining Group, the text of which is set out in Appendix III to this circular;
- (e) the letter of consent referred to under the paragraph headed "Expert and Consent" in this appendix;
- (f) the annual reports of the Company for the years ended 31 March 2015 and 31 March 2016, respectively;
- (g) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix; and
- (h) this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING

YGM TRADING LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock Code: 00375)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of YGM Trading Limited (the “Company”) will be held at 22 Tai Yau Street, San Po Kong, Kowloon, Hong Kong on Wednesday, 19 April 2017 at 11:30 a.m. to consider and, if thought fit, pass with or without modification, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

- (a) the disposal agreement dated 28 February 2017 entered into between YGM Trading Limited as vendor and Jining Ruyi Investment Co. Ltd. as purchaser in relation to, among others, the disposal of the entire issued share capital of Aquascutum Holdings Limited (the “Disposal Agreement”) (a copy of which, signed by the Chairman of the meeting for the purposes of identification, has been produced to the meeting marked “A”) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) any one of the Directors be and is authorised to do all such acts and things, to sign and execute such documents or agreements or deeds on behalf of the Company and to do such other things and to take all such actions as he/she may consider necessary, appropriate, desirable and expedient for the purposes of giving effect to or in connection with the Disposal Agreement and all transactions contemplated thereunder, and to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of such documents or any terms thereof, which are not fundamentally different from those as provided in the Disposal Agreement) as are, in the opinion of the Directors or the duly authorised committee, in the interest of the Company and its shareholders as a whole.”

By order of the Board
YGM Trading Limited
Chan Wing Sun, Samuel
Chairman

Hong Kong, 28 March 2017

*Registered office and principal place
of business in Hong Kong:*

22 Tai Yau Street
San Po Kong
Kowloon
Hong Kong

Notes:

1. Any member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company.
2. The register of members will be closed from Wednesday, 12 April 2017 to Wednesday, 19 April 2017, both days inclusive, during which no transfer of shares can be registered. In order to qualify to attend the EGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Tuesday, 11 April 2017.
3. To be valid, the form of proxy and the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority must be deposited at the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

NOTICE OF EXTRAORDINARY GENERAL MEETING

4. *Where there are joint holders of a share of the Company, any one of such holders may vote at the meeting either personally or by proxy in respect of such share as if he were solely entitled thereto, but if more than one of such holders be present at the meeting personally or by proxy, that one of such holders so presents whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.*
5. *Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the EGM and in such event, the instrument appointing a proxy shall be deemed to be revoked.*

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