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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 RESUMPTION OF TRADING**

#### **THE DISPOSAL**

The Board is pleased to announce that on 28 February 2017 (after trading hours), the Company as vendor 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 acquire, the Sale Share, representing the entire issued share capital of the Target Company at the Consideration of US\$117 million. The Consideration shall be satisfied by cash.

The Target Company is a company incorporated in the British Virgin Islands with limited liability and acts as the investment holding company of the Disposal Group which in turn is currently engaged in the Aquascutum Business.

#### **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.

#### **GENERAL**

A circular containing, among other matters, (i) further details of the Disposal Agreement and the transactions contemplated thereunder; (ii) other information as required to be disclosed under the Listing Rules; and (iii) the notice of the EGM to approve the Disposal, will be despatched to the Shareholders on or before 23 March 2017.

**The Completion is subject to the satisfaction and/or waiver of the Conditions and therefore the Disposal may or may not proceed. Shareholders and potential investors are therefore advised to exercise caution when dealing in the Shares.**

#### **RESUMPTION OF TRADING**

Trading in the shares of the Company on the Stock Exchange was halted with effect from 9:00 a.m. on Wednesday, 1 March 2017 at the request of the Company pending the publication of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the shares of the Company on the Stock Exchange with effect from 1:00 p.m. on Thursday, 2 March 2017.

#### **INTRODUCTION**

Reference is made to the announcement of the Company dated 17 October 2016 in connection with the MOU in respect of the disposal of the Aquascutum Business.

The Board is pleased to announce that on 28 February 2017 (after trading hours), the Company as vendor 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 acquire, the Sale Share, representing the entire issued share capital of the Target Company, at the Consideration of US\$117 million (equivalent to approximately HK\$907.9 million). The Consideration shall be satisfied by cash.

## **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. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, 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\$584,901,000 as at 30 September 2016.

### **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.

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.

### **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:

	<b>For the year ended 31 March</b>		<b>For the six months ended 30 September</b>
	<b>2015</b>	<b>2016</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	644,766	518,480	191,615
Net profit/(loss) before taxation	37,960	(110,921)	(50,065)
Net profit/(loss) after taxation	33,254	(114,468)	(48,173)
	<b>As at 31 March</b>		<b>As at 30 September</b>
	<b>2015</b>	<b>2016</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets	763,242	698,598	668,682
Total liabilities	816,720	865,978	856,824
Net liabilities	53,478	167,380	188,142

As at 30 September 2016, the unaudited net liability value of the Disposal Group was approximately HK\$188,142,000. Total assets of the Disposal Group were approximately HK\$668,682,000 as at 30 September 2016 and were mainly made up of an amount due to the Remaining Group from the Disposal Group of approximately HK\$773,043,000 as of 30 September 2016.

After the assignment of the amount due to the Remaining Group from the Disposal Group of approximately HK\$773,043,000 upon Completion, the adjusted unaudited net asset value of the Disposal Group as at 30 September 2016 would be approximately HK\$584,901,000.

### **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 announcement.

## **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 of approximately HK\$288.4 million is 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 net of exchange reserve and carry amount of any minority interest of approximately HK\$19.1 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:

- (i) 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 its war chest for future investment should suitable opportunities arise; and
- (iii) as general working capital for the Remaining Group.

As at the date of this announcement, the Board has no fixed plan in relation to the uses of the net proceeds from the Disposal, nor has it 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. The Company intends to provide further details (such as the allocation and timetable) in relation to the uses of the net proceeds from the Disposal in the circular to be despatched to the Shareholders after such review.

## **IMPLICATIONS UNDER THE LISTING RULES**

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## **GENERAL**

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## **RESUMPTION OF TRADING**

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## **DEFINITIONS**

In this announcement, the following expressions have the meanings set out below 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;
“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 subsection headed “Conditions precedent” in this announcement;
“Consideration”	the aggregate consideration payable by the Purchaser to the Vendor for the Sale Share under the Disposal Agreement;
“Directors”	the directors 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 share purchase 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;
“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 People’s Republic of China;
“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);
“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 the affiliates of the Purchaser) in respect of the Disposal;
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, 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;
“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 announcement;
“Shareholder(s)”	holder(s) of the issued shares in the capital of the Company;
“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; and
“US\$”	United States dollars, the lawful currency of the United States of America.

By Order of the Board  
**YGM TRADING LIMITED**  
**Chan Wing Sun, Samuel**  
*Chairman*

Hong Kong, 2 March 2017

*As at the date of this announcement, 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.*

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