

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

YGM TRADING LIMITED

(incorporated in Hong Kong with limited liability)

(Stock Code: 00375)

MEMORANDUM OF UNDERSTANDING IN RESPECT OF A PROPOSED DISPOSAL

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the SFO.

The Board announces that, on 17 October 2016, the Company entered into the MOU with two Independent Third Parties, pursuant to which the Company intends to sell and the Proposed Purchasers intend to acquire the Aquascutum Business.

MEMORANDUM OF UNDERSTANDING

Date and Parties

Date: 17 October 2016

Parties: (1) the Company, being the proposed vendor

(2) the Proposed Purchasers, being the proposed purchasers

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Proposed Purchasers and their ultimate beneficial owners are Independent Third Parties.

Subject Matter of the Proposed Disposal

The Company, through its wholly-owned subsidiaries, is currently engaged in the manufacturing and sales of products under the “Aquascutum” brand and is the proprietary owner of the intellectual property rights associated with the brand.

Under the MOU, the Company intends to sell and the Proposed Purchasers intend to acquire the Aquascutum Business.

Due Diligence and Exclusivity

For the purpose of the Proposed Disposal, the Proposed Purchasers shall be given the opportunity to undertake a full due diligence exercise. The due diligence exercise shall be completed within two months after it commences.

The Company has granted the exclusive rights to the Proposed Purchasers for further negotiations relating to the Proposed Disposal during the period from the date of the MOU up to the earlier of (i) the completion of the Proposed Disposal; (ii) the Proposed Purchasers giving the Company written notice of their intention not to proceed with the Proposed Disposal; and (iii) the Cancellation Date. If the Company is in breach of the above exclusivity provisions, the Company will be held liable for the Proposed Purchasers costs, charges and expenses reasonably incurred in connection with the Proposed Disposal and the refund of the Deposit.

Acquisition Agreement

It is proposed that the Acquisition Agreement, which would contain the terms and conditions of the Proposed Disposal, shall be entered into by the Parties in order to effect and consummate the Proposed Disposal.

The Parties agree to use reasonable endeavor to negotiate and execute the Acquisition Agreement within one month after the completion of the due diligence exercise.

Consideration and Deposit

The proposed consideration of the Proposed Disposal shall be US\$120 million (approximately HK\$930.7 million) (subject to an upward or downward adjustment of not more than US\$5 million (approximately HK\$38.8 million) based on further negotiations between the Parties).

The detailed terms of the payment of the consideration will be subject to further negotiations between the Parties.

In consideration of, among other things, the Company agreeing to enter into the MOU and granting the exclusivity rights to the Proposed Purchasers, an amount of US\$5 million (approximately HK\$38.8 million) has been paid by the Proposed Purchasers to the Company as a non-refundable deposit upon execution of the MOU.

If the Acquisition Agreement is not entered into on or before the Cancellation Date for any reason, or the Potential Buyers giving the Company a written notice of their intention not to proceed with the Proposed Disposal, the Company shall be entitled to forfeit the deposit and have no obligation to proceed with the Proposed Disposal and may sell, retain or dispose of the Aquascutum Business in its sole discretion.

If the Acquisition Agreement is entered into on or before the Cancellation Date, the Deposit will, subject to the terms of the Acquisition Agreement, (i) be applied towards payment of the proposed consideration upon completion of the Proposed Disposal; or (ii) be refunded to the Proposed Purchasers upon the occurrence of any of the following events: (a) the completion of the Proposed Disposal does not occur because either the Company has not obtained the requisite approval from its shareholders in respect of the Proposed Disposal in accordance with the applicable laws and regulations; or (b) the consummation of the Proposed Disposal is not considered to be in compliance with the Listing Rules; or (c) the Company unilaterally terminates the Acquisition Agreement in the absence of any default on the part of the Proposed Purchasers; or (d) the Company is in breach of the exclusivity provisions in the MOU; or (e) there is material difference between the results of the due diligence exercise and the description of the target of the Proposed Disposal as contemplated under the MOU.

Conditions to the Proposed Disposal

The execution of the Acquisition Agreement and the completion of the Proposed Disposal shall be conditional upon, without limitation, the fulfilment of the following conditions:

- (i) the due diligence review of the Aquascutum Business having been completed and the results being satisfactory to the Proposed Purchasers; and
- (ii) approval by the Proposed Disposal and the Acquisition Agreement having been obtained from the Board and, if necessary, the Shareholders in accordance with the applicable laws and regulations (including but not limited to the Listing Rules).

GENERAL

Save for the provisions relating to the non-refundable deposit, the Proposed Purchasers' exclusive rights, the proposed range of the consideration of the Proposed Disposal and other miscellaneous terms, the MOU does not constitute the Parties' legally binding commitments as to the Proposed Disposal. If the Proposed Disposal materialises, it may constitute a notifiable transaction for the Company under the Listing Rules. Further announcement(s) will be made by the Company once as and when appropriate.

The Company wishes to emphasise that the Proposed Disposal is subject to, among other things, the signing of the Acquisition Agreement, the terms and conditions of which are yet to be agreed. Shareholders and potential investors of the Company should note that the Proposed Disposal may or may not materialise and the final structure and terms of the Proposed Disposal, which are still subject to further negotiations between the Parties, have yet to be finalised and may deviate from those set out in the MOU. The Company shall comply with the relevant disclosure and/or the shareholders' approval requirements under the Listing Rules where appropriate. Shareholders and potential investors of the Company should exercise caution when dealing in the shares and other securities of the Company.

DEFINITIONS

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

“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;
“Acquisition Agreement”	the formal agreement intended to be entered into by the Parties to effect and consummate the Proposed Disposal;
“Board”	the board of Directors;
“Cancellation Date”	the date falling three months from the date of the commencement of the due diligence exercise to be conducted by the Proposed Purchasers in connection with the Proposed Disposal;
“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;
“Directors”	the directors of the Company;
“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;
“MOU”	the memorandum of understanding dated 17 October 2016 and entered into between the Company and the Proposed Purchasers in respect of the Proposed Disposal;
“Party(ies)”	party(ies) to the MOU;
“Proposed Disposal”	the proposed disposal of the Aquascutum Business by the Company to the Proposed Purchasers;
“Proposed Purchasers”	two Independent Third Parties;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);

“Shareholder(s)”	holder(s) of the issued shares in the capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong; and
“US\$”	United States dollars, the lawful currency of the United States of America.

In this announcement, amounts denominated in US\$ have been translated into HK\$ at the rate of US\$1.00 = HK\$7.756 for illustration purpose only.

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

Hong Kong, 17 October 2016

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.