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If you have sold or transferred all your shares in YGM Trading Limited, you should at once hand this circular to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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YGM TRADING LIMITED

(incorporated in Hong Kong with limited liability)

(Stock Code: 00375)

**MAJOR TRANSACTION
DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF
YGM CLOTHING LIMITED**

21 August 2015

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DEFINITIONS

In this circular, the following expressions shall have the following meanings unless the context indicates otherwise:—

“Agreement”	the sale and purchase agreement dated 6 July 2015 entered into between the Vendors and the Purchaser relating to the Disposal;
“Articles of Association”	the articles of association of the Company as amended from time to time;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Company”	YGM Trading Limited (YGM貿易有限公司), a company incorporated in Hong Kong with limited liability and the shares of which are listed and traded on the Stock Exchange;
“Completion”	completion of the sale and purchase of the Sale Shares pursuant to the Agreement;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Consideration”	the total consideration in the sum of RMB45,200,000 (equivalent to approximately HK\$56,500,000) payable by the Purchaser to the Vendors for the Disposal under the Agreement;
“Directors”	the directors of the Company;
“Disposal”	the disposal of the Sale Shares by the Vendors to the Purchaser pursuant to the Agreement;
“Group”	collectively, the Company and its subsidiaries from time to time;
“HKGAAAP”	Hong Kong Generally Accepted Accounting Practices;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Independent Third Party(ies)”	person(s) or company(ies) which is (are) not connected person(s) of the Company;
“Land”	a parcel of land located at Chukeng Management District, Dongkeng Town, Dongguan City* (東莞市東坑鎮初坑管理區) with an area of 58,347 sq. m. which can be used for industrial purposes;
“Latest Practicable Date”	14 August 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, modified and supplemented from time to time;
“Luk Hop”	Luk Hop Garments Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Company;
“PRC”	the People’s Republic of China, which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan;
“Property”	the Land together with the factory, employee apartments and dormitories built thereon, particulars of which are set out in Appendix II to this circular;

DEFINITIONS

“Purchaser”	Shenzhen Mass Power Electronic Limited* (深圳市邁思普電子有限公司), a company established in the PRC with limited liability and an Independent Third Party;
“Retained Business”	the business of manufacturing and selling of garment which is currently carried out by the Target Group and will be retained and continued by the Group after Completion;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale Shares”	200 issued shares of YGM Clothing, being its entire issued share capital;
“SFO”	the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, modified and supplemented from time to time;
“Share(s)”	ordinary share(s) in the issued share capital of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“sq. m.”	square metre(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Group”	YGM Clothing and YGM Clothing (Dongguan);
“Vendors”	the Company and Luk Hop;
“YGM Clothing”	YGM Clothing Limited (長江西服有限公司), a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Company before Completion;
“YGM Clothing (Dongguan)”	YGM Clothing (Dongguan) Limited* (長江西服(東莞)有限公司), a wholly foreign owned enterprise established in the PRC with limited liability and a wholly owned subsidiary of YGM Clothing; and
“%”	per cent.

In this circular, the English names of the PRC authority/entities/property denoted with “” 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.*

For illustrative purpose, unless otherwise stated, RMB is converted into HK\$ at an exchange rate of RMB1 = HK\$1.25 in this circular.

LETTER FROM THE BOARD

YGM TRADING LIMITED

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

Executive Directors:

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

**Registered office and
principal place of business:**

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

21 August 2015

To the Shareholders,

Dear Sir or Madam,

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

INTRODUCTION

Reference is made to the announcements of the Company dated 7 July 2015, 27 July 2015 and 30 July 2015 in relation to, among other things, the Disposal.

The purpose of this circular is to provide you with, among other things, further information regarding the Disposal.

THE DISPOSAL

On 6 July 2015, the Vendors and the Purchaser entered into the Agreement, pursuant to which the Vendors have agreed to dispose of and the Purchaser has agreed to acquire the Sale Shares, being the entire issued share capital of YGM Clothing, at the Consideration.

The Agreement

Date: 6 July 2015

Parties: (1) The Vendors: the Company and Luk Hop
(2) The Purchaser: Shenzhen Mass Power Electronic Limited* (深圳市邁思普電子有限公司)

LETTER FROM THE BOARD

Based on the information and confirmation provided by the Purchaser and to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are Independent Third Parties.

Assets to be disposed

Each of the Company and Luk Hop holds 50% of the issued share capital of YGM Clothing. Pursuant to the Agreement, the Company and Luk Hop, being the Vendors, have agreed to sell and the Purchaser has agreed to acquire the Sale Shares.

YGM Clothing is the sole shareholder of YGM Clothing (Dongguan) which in turn was the legal and beneficial owner of the Property. The land use right of the Land expires in February 2044.

Consideration

Pursuant to the Agreement, the Consideration shall be satisfied in the following manner:

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

The Consideration was determined after arm's length negotiation between the Vendors and the Purchaser having regard to the net asset value of the Target Group (net liabilities of approximately HK\$8.9 million) as at 31 March 2015 and the net book value of the Property of approximately HK\$25.9 million as at 31 March 2015. The Directors consider that the Consideration was fair and reasonable and in the interest of the Company and its shareholders taken as a whole.

Upon signing of the Agreement, the Purchaser had provided an interest-free loan in the amount of RMB5,000,000 (equivalent to approximately HK\$6,250,000) to YGM Clothing (Dongguan) for the purpose of facilitating the relocation of the factory, employee apartments and dormitories on the Land. The amount of such loan was determined on arm's length basis between the Vendors and the Purchaser with reference to the estimated relocation cost of the factory, employee apartments and dormitories including cost for renovating and setting up production facilities, and the time which may be required for the Purchaser to take possession of the Property prior to Completion. Based on the above, the Directors consider that the terms of such loan are fair and reasonable.

The Vendors had further agreed that the Purchaser may take possession of part of the Property from late August 2015, in exchange that the Purchaser shall not make any demand for or claim against the Vendors or YGM Clothing (Dongguan) in connection with the loan prior to Completion. As at the Latest Practicable Date, the Purchaser had not yet taken possession of part of the Property. The Target Group was still in operation at the Property and the operation will gradually be transferred and relocated to a nearby factory to ensure the operation of the Retained Business would not be affected significantly. Upon Completion, the Vendors shall be discharged from the obligation of the repayment of such loan, which shall be responsible by the Target Group (which will no longer be part of the Group). In the event that Completion could not take place, such loan shall be repaid to the Purchaser within 15 days from the date of termination of the Agreement.

Conditions Precedent

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

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

LETTER FROM THE BOARD

Completion

Completion shall take place on 28 January 2016 or such other date as may be agreed by the Vendors and the Purchaser in writing. Upon Completion, the Group shall cease to hold any interest in YGM Clothing and YGM Clothing will cease to be a subsidiary of the Company.

Upon Completion, the Purchaser shall pay to a company to be established in Dongguan, the PRC, by the Vendors a total sum of RMB5,798,400 (equivalent to approximately HK\$7,248,000) payable on a monthly basis for a period of two years as management fees. The amount of such management fees was determined with reference to the scope of services to be undertaken by the Vendors. Since the Vendors are more familiar with the local regulatory and customary practices of the government authorities in Dongguan, the Vendors through this newly established company will provide to the Purchaser services in relation to assistance and consultation in respect of the legal and tax aspects of YGM Clothing (Dongguan) arising from the Disposal and the Property raised by the local government authorities in Dongguan from time to time. The Vendors shall also assist the Purchaser and the Target Group in liaising with the local government authorities in Dongguan when necessary. The Vendors have agreed to pay all costs and expenses incurred in relation to the provision of such services and tax and levy arising from such legal and tax aspects.

INFORMATION ON THE TARGET GROUP

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

The Property is legally and beneficially owned by YGM Clothing (Dongguan) and has been used for the purpose of manufacturing of garment and staff quarters. No income such as rental fee has been generated by the Property.

To facilitate the Disposal, the business of manufacturing and selling of garment currently engaged by YGM Clothing and YGM Clothing (Dongguan) will be segregated (“**Segregation**”) and the Group will retain and continue the Retained Business after Completion. The revenue arising from the Retained Business was approximately HK\$71.7 million for the year ended 31 March 2015 as compared to the revenue of the Group of approximately HK\$1.1 billion as shown in the annual report of the Group for the year ended 31 March 2015. The Directors consider that given the small scale of the Retained Business and the relocation of the Retained Business, the Disposal would not affect the turnover and operation of the Group significantly. Notwithstanding the insignificant effect of the Disposal, the Group does not intend to cease the operation of the Retained Business abruptly and hence the Retained Business will be gradually relocated and transferred to a factory nearby with a gross floor area of 7,120.8 sq.m. which the Group had identified and entered into a lease agreement with a term from 15 October 2015 to 14 October 2018 at a monthly rent of RMB 81,889.32 (inclusive of tax and management fee) with the landlord (an Independent Third Party). During the relocation process, the operation of the Retained Business will be taken place in both the factory on the Land and the newly leased factory. It is expected that the Retained Business will be completely relocated to the newly leased factory in early April 2016. The Directors consider that there is sufficient time for the relocation and the operation of the Retained Business would not be suspended or ceased during the relocation. Since part of the Property had not been used for the operation of the business of the Target Group for some time and remained idle as at the Latest Practicable Date, the Directors believe that the newly leased factory is sufficient to accommodate the current operational needs of the Retained Business irrespective of its smaller gross floor area. In the event that the Group would want to expand the operation of the Retained Business in the future, the Group would identify additional factory for such purpose in the vicinity of this newly leased factory.

The consolidated net asset value of Target Group after the Segregation is expected to primarily represent the net carrying amount of the Property of approximately HK\$25.9 million. The unaudited consolidated (i) revenue, (ii) net profit/loss before tax, and (iii) net profit/loss after tax of the Target Group arising from manufacturing and selling of garment for the financial years ended 31 March 2015 and 2014 were approximately (i) HK\$71.7 million and HK\$70.2 million, (ii) a net profit before tax of HK\$1.4 million and a net loss before tax of HK\$2.1 million, and (iii) a net profit after tax of HK\$1.2 million and a net loss after tax of HK\$1.4 million, respectively.

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

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

LETTER FROM THE BOARD

VALUATION OF THE PROPERTY

In compliance with the Listing Rules, the Company has engaged Roma Appraisals Limited, an independent property valuer, to value the Property. Details of the valuation report are set out in Appendix II of this circular. Disclosure of the reconciliation of the net carrying amount and the valuation as required under Rule 5.07 of the Listing Rules is set out below:

	<i>HK\$</i>
The net carrying value of the Property as at 31 March 2015	25,900,000
Revaluation surplus	<u>30,350,000</u>
Value as at 30 June 2015 as set out in the valuation report as set out in Appendix II of this circular	<u>56,250,000</u> <u>(RMB45,000,000)</u>

FINANCIAL EFFECT OF THE DISPOSAL

The Property are stated at cost less accumulated depreciation and impairment losses. Any difference between the carrying amount and the fair value of the Property is not recognised.

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

It is expected that there would be an increase of approximately HK\$25.3 million in the total assets of the Group.

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

USE OF PROCEEDS FROM THE DISPOSAL

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

REASONS AND BENEFITS OF THE DISPOSAL

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

INFORMATION RELATING TO THE VENDORS AND THE PURCHASER

The Company is incorporated in Hong Kong with limited liability with its Shares listed on the Stock Exchange. The principal activity of the Company is investment holding. The Group is principally engaged in the garment manufacturing, wholesaling and retailing, trademark ownership and licensing, property investment and provision of security printing, general business printing and trading of printing products.

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

The Purchaser is a company established in the PRC with limited liability. Based on the information provided by the Purchaser and to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the principal business activity of the Purchaser is manufacturing and sales of power supply accessories.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

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

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

Name of beneficial Shareholder	Relationship among the Shareholders	No. of Shares beneficially interested	Approximate percentage of total issued share capital of the Company as of the date of the written approval
Chan Wing Sun Samuel	Brother of Chan Wing Fui Peter and Chan Suk Ling Shirley	15,569,847 ^(Note)	9.4%
Chan Suk Ling Shirley	Sister of Chan Wing Fui Peter and Chan Wing Sun Samuel	6,912,272	4.2%
Fu Sing Yam William	Cousin of Chan Wing Fui Peter, Chan Wing Sun Samuel and Chan Suk Ling Shirley	2,075,462	1.3%
Chan Wing Kee	Brother of Chan Wing To	9,346,776	5.6%
Chan Wing To	Brother of Chan Wing Kee	11,571,367	7.0%
Andrew Chan	Son of Chan Wing Fui Peter, the nephew of Chan Wing Sun Samuel, Chan Suk Ling Shirley, Chan Wing Kee, Chan Wing To and Fu Sing Yam William	392,000	0.2%
Chan Family Investment Corporation Limited	Company owned by members of the Chan family comprising Chan Wing Fui Peter, Chan Wing Sun Samuel, Fu Sing Yam William, Chan Wing Kee, Chan Wing To and Chan Suk Ling Shirley and other members of the Chan family	36,791,700	22.2%
Super Team International Limited	Company indirectly owned by the Chan family comprising Chan Wing Kee, Chan Wing To and other members of the Chan family	1,597,000	0.9%
	Aggregate:	84,256,424	50.8%

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

LETTER FROM THE BOARD

The Board considers that the terms and conditions of the Agreement are fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole. Accordingly, if an extraordinary general meeting was to be convened for the purpose of approving the Agreement and the Disposal, the Board would recommend the Shareholders to vote in favour of the resolutions in relation to the Agreement and the Disposal.

ADDITIONAL INFORMATION

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

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

FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for the three years ended 31 March 2013, 2014 and 2015 are disclosed in the Company's annual reports for the financial years ended 31 March 2013, 2014 and 2015. All of these financial statements have been published on the website of the Stock Exchange at www.hkexnews.hk and the Company's websites at www.ygmtrading.com.

INDEBTEDNESS

At the close of business on 30 June 2015, being the latest practicable date for the purpose of preparing of the following information with respect to the indebtedness of the Group prior to the printing of this circular, the indebtedness of the Group was as follows:

Bank overdrafts

As at 30 June 2015, the Group had outstanding unsecured and bank overdrafts of approximately HK\$11.3 million. The bank 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 loan capital issued and outstanding or agreed to be issued, debt securities issued and outstanding, authorised or otherwise created but unissued, term loans, other borrowings or indebtedness including bank overdrafts, liabilities under acceptances, acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantees or other material contingent liabilities outstanding at the close of business on 30 June 2015.

WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, in the absence of unforeseen circumstances, and taking into account of the present financial resources and banking facilities presently available to the Group and the effect of the Disposal, the Group will have sufficient working capital to meet its requirements for at least 12 months from the date of this circular.

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2015 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As disclosed in the annual report of the Company for the year ended 31 March 2015, the Group has faced unprecedented challenges and will have a few difficult years ahead. The impact of slowing PRC economy coupled with weakening PRC consumer market have carried into the year ended 31 March 2015. The Group's revenue decreased by 11.7% to HK\$1,099,994,000 (2014: HK\$1,246,262,000). Profit attributable to equity shareholders of the Company dropped by 62.9% to HK\$81,095,000 (2014: HK\$218,702,000).

Total sales of garments, which is the Group's core business, fell by 11.9% to HK\$967,043,000 (2014: HK\$1,097,576,000) and recorded a segment profit of HK\$35,505,000 (2014: HK\$142,838,000). As of the end of March 2015, the Group had 271 points-of-sales, mainly in Hong Kong, Macau, Taiwan and the PRC. The Group's garment manufacturing plant in Dongguan, PRC recorded an operating profit. Total licensing of trademarks income from external customers decreased by 16.7% from the previous year. Property rental income from external customers increased by 56.0% to HK\$4,540,000 (2014: HK\$2,911,000) which was mainly due to income from leasing of newly acquired leasehold property in the United Kingdom.

Security printing business recorded a slight decline in both sales to external customers and segment profit. On 13 April 2015, the Group submitted to the Stock Exchange to apply for the listing of the shares of HKSP Holdings Limited (“**HKSPH**”) on the Growth Enterprise Market of the Stock Exchange by ways 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 will be allocated to shareholders of the Group in proportion to their respective shareholding in the Group. HKSPH is wholly owned by the Group and is proposed to comprise an existing subsidiary of the Group which is principally engaged in the printing business.

As at 31 March 2015, being the date to which the Group’s latest published audited consolidated financial statements were made up, the Group generated HK\$8,605,000 of cash from operations which decreased from HK\$159,795,000 for the previous year. As at 31 March 2015, the Group had cash and bank deposits net of overdrafts of HK\$176,499,000, a decrease of HK\$428,153,000 from HK\$604,652,000 as at 31 March 2014 after payments of dividends of HK\$149,277,000 and payments for the acquisition of the leasehold property in the United Kingdom totaling HK\$191,431,000 during the year. At 31 March 2015, the Group had trading securities which were readily convertible into cash with a fair value of HK\$1,625,000 (2014: HK\$1,670,000).

The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this circular received from Roma Appraisals Limited, an independent valuer, in connection with its valuation as at 30 June 2015 of the property.



Unit 3806, 38/F, China Resources Building,
26 Harbour Road, Wan Chai, Hong Kong
Tel (852) 2529 6878 Fax (852) 2529 6806
E-mail: info@romagroup.com
<http://www.romagroup.com>

21 August 2015

YGM Trading Limited
22 Tai Yau Street
San Po Kong
Kowloon
Hong Kong

Dear Sir/Madam,

Re: Property Valuation of a Parcel of Land located at Chukeng Management District, Dongkeng Town, Dongguan City, Guangdong Province, the People's Republic of China together with the Factory, Employee Apartments and Dormitories built thereon ("the Property")

In accordance with your instructions for us to value the Property held by YGM Trading Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") located in the People's Republic of China (the "PRC"), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at 30 June 2015 (the "Date of Valuation") for the purpose of incorporation in the circular of the Company dated 21 August 2015.

1. BASIS OF VALUATION

Our valuation of the Property is our opinion of the market value of the concerned Property which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

2. VALUATION METHODOLOGY

Due to the specific purpose for which most of the buildings and structures of the Property have been constructed, there are no readily identifiable market comparables. Thus the buildings and structures have been valued on the basis of its depreciated replacement costs instead of direct comparison method. The depreciated replacement cost approach ("DRC") is based on an estimate of the Market Value for the existing use of the land, plus the current cost of replacement of the existing structures less deductions for physical deterioration and all relevant forms of obsolescence and optimization. In practice, Depreciated Replacement Cost approach may be used as a substitute for the Market Value of specialized property only, due to the lack of market comparables available. Our valuation does not necessarily represent the amount that might be realized from the disposition of the Property and the DRC is subject to adequate profitability of the concerned business.

3. TITLE INVESTIGATION

For the Property in the PRC, we have been provided with copies of extracts of title documents relating to the Property in the PRC. However, we have not searched the original documents to ascertain the existence of any amendments which do not appear on the copies handed to us. We have relied to a very considerable extent on information given by the Group and the Group's PRC legal advisers, Jian Da Law Firm regarding the title to the property in the PRC. All documents have been used for reference only.

In valuing the Property, we have relied on the advice given by the Group's PRC legal advisers that the Group has valid and enforceable title to the Property which are freely transferable, and has free and uninterrupted right to use the same, for the whole of the unexpired term granted subject to the payment of annual government rent / land use fees and all requisite land premium / purchase consideration payable have been fully settled.

4. VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the Property in the market in its existing state without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the value of such Property.

In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the Property and no allowance has been made for the Property to be sold in one lot or to a single purchaser.

5. SOURCE OF INFORMATION

In the course of our valuation, we have relied to a very considerable extent on the information provided by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of property, particulars of occupation, site and floor areas, ages of buildings and all other relevant matters which can affect the value of the property. All documents have been used for reference only.

We have no reason to doubt the truth and accuracy of the information provided to us. We have also been advised that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

6. VALUATION CONSIDERATION

We have inspected the exterior and, where possible, the interior of certain Property. No structural survey has been made in respect of the Property. However, in the course of our inspections, we did not note any serious defects. We are not, however, able to report that the Property is free from rot, infestation or any other structural defects. No tests were carried out on any of the building services.

We have not carried out on-site measurement to verify the site and floor areas of the Property under consideration but we have assumed that the site and floor areas shown on the documents handed to us are correct. Except as otherwise stated, all dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by the Group and are therefore approximations.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

In valuing the property, we have complied with the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors and Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited.

7. REMARKS

Unless otherwise stated, all monetary amounts stated in our valuation are in Renminbi (“RMB”).

Our Valuation Certificate is attached.

Yours faithfully,

For and on behalf of

Roma Appraisals Limited

Dr. Alan W K Lee

BCom(Property) MFin PhD(BA)

MHKIS RPS(GP) AAPI CPV CPV(Business)

Associate Director

Note: Dr. Alan W K Lee is a Registered Professional Surveyor (General Practice), a member of Hong Kong Institute of Surveyors and an Associate of Australian Property Institute. He has over 11 years' valuation experience in Hong Kong, Macau, the PRC, the Asia Pacific Region and European countries.

VALUATION CERTIFICATE

Property held and occupied by the Group in the PRC

Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 30 June 2015
An Industrial Complex located at Chukeng Management District, Chu Keng Road Section, Gong Ye Main Road, Dongkeng Town, Dongguan City, Guangdong Province, The PRC 中國廣東省東莞市東坑鎮工業大道初坑路段初坑管理區的一個工廠區	<p>The property comprises a parcel of land with a site area of about 58,347 sq.m. and various buildings and ancillary structures erected thereon, which were completed in about 1994.</p> <p>The property has a total gross floor area (“GFA”) of approximately 31,973.71 sq.m.</p> <p>The property also comprises various structures with an area of about 692 sq.m. without relevant title certificate. For details, please refer Note 3.</p> <p>The land use rights of the property have been granted for a term expiring in February 2044 for industrial use.</p>	The property is occupied by the Group for industrial use.	RMB45,000,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate (國有土地使用證) Dong Fu Guo Yong (1994) Zi Di No.Te 261 (東府國用(1994)字第特261號), the land use rights of the property with a site area of 58,347 sq.m. have been granted to YGM Clothing (Dongguan) Limited (長江西服(東莞)有限公司), a wholly foreign owned enterprise established in the PRC with limited liability and a wholly owned subsidiary of YGM Clothing Limited (長江西服有限公司)*, for a term expiring in February 2044 for industrial use.

* YGM Clothing Limited (長江西服有限公司) is a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Company

2. Pursuant to three Building Ownership Certificates (房屋所有權證), the Property with a total GFA of 31,974 sq.m. is legally held by YGM Clothing (Dongguan) Limited (長江西服(東莞)有限公司). Details of which are as follows:

No.	Certificate No.	Gross Floor Area	Use
1.	Yue Fang Di Zheng Zi Di No.0964916	22,924.20 sq.m.	Main factory
2.	Yue Fang Di Zheng Zi Di No.0964913	5,994.71 sq.m.	Dormitory
3.	Yue Fang Di Zheng Zi Di No.0964915	3,054.80 sq.m.	Dormitory
		Total:	<u>31,973.71 sq.m.</u>

3. In the valuation of this Property, we have relied on the legal opinion on the title of the Property issued by the Group's legal advisers as to PRC laws and attributed no commercial value to the various structure of the Property without relevant title certificate.

4. Our inspection was performed by Ms. Vinci Hou M Sc. with over 1 year' valuation experience, in July 2015.

5. *We have been provided with a legal opinion on the title to the Property issued by the Group's legal advisers as to PRC laws, which contains, inter alia, the following information:*
- a. *YGM Clothing (Dongguan) Limited (長江西服(東莞)有限公司) has obtained the land use rights certificate of the Land;*
 - b. *The Group is required to pay RMB5 per sq.m. on site area annually from 1994 and it will increase at 10% per 5 years;*
 - c. *The Property conforms the usage stipulated in the Land Use Rights Grant Contract;*
 - d. *The Property can be transferred, leased and mortgage by the Group; and*
 - e. *There is no relevant title document for the abovementioned ancillary structure.*

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.

DISCLOSURE OF INTERESTS

Interests of Directors and chief executive of the Company

As at the Latest Practicable 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 set out in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

(a) *Long position in the Shares:*

<u>Name of Directors</u>	<u>Number of Shares</u>			
	<u>Personal interests (i)</u>	<u>Family interests</u>	<u>Corporate interests</u>	<u>Other interests</u>
Chan Wing Fui, Peter	24,068	12,230,051	–	(ii)&(iii)
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)
Chan Wing Kee	9,346,776	1,012,035	–	(ii),(iii)&(iv)
Chan Wing To	11,571,367	–	–	(ii),(iii)&(iv)
Andrew Chan	392,000	–	–	–
Leung Hok Lim	100,000	–	–	–
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 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 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 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:*

Pursuant to a share option scheme (the “**Share Option Scheme**”) adopted by the Company on 23 September 2004 and a resolution pass by the shareholders of the Company in the annual general meeting held on 19 September 2006, the Company may grant options to directors and employees of the Group and other eligible participants to subscribe for the Shares, subject to a maximum of 15,469,879 new Shares. The Share Option Scheme expired on 22 September 2014 and no further options could thereafter be offered under the Share Option Scheme.

As at the Latest Practicable Date, the Company did not have any effective share option scheme.

Interests of substantial shareholders

As at the Latest Practicable Date, the register required to be kept by the Company pursuant to section 336 of the SFO showed that, other than the interests disclosed above in respect of the directors, no other interests required to be recorded in the register kept under section 336 of the SFO have been notified to the Company.

Save as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any person who was, directly or indirectly, interested or had a short position in the shares or underlying shares which fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, was directly or indirectly, interested in 10% or more of the ordinary shares of the company in issue carrying rights to vote in all circumstances at general meeting of the Company any options in respect of such capital.

Directors' service contracts

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

Directors' interests in assets/contracts and other interests

- (a) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 March 2015, the date to which the latest published audited financial statements of the Group were made up.
- (b) As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group since 31 March 2015, being the date to which the latest published audited financial statements of the Group were made up, and which was significant in relation to the business of the Group.

Directors' interests in competing business

As at the Latest Practicable Date, none of the Directors or their respective close associates had any interest in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the Directors were appointed as directors to represent the interest of the Company and/or the Group.

LITIGATION

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

EXPERT AND CONSENT

The following is the qualification of the expert who has been named in this circular or has given opinion or advice which are contained in this circular:

Name	Qualification
Roma Appraisals Limited	Independent professional valuer

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which it appears.

As at the Latest Practicable Date, the above expert did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, or any interests, directly or indirectly, in any assets which had been, since 31 March 2015, being the date to which the latest published audited financial statements of the Company were made up, acquired, disposed of or leased to any member of the Group, or were proposed to be acquired, disposed of or leased to any member of the Group.

MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2015, being the date to which the latest audited consolidated financial statements of the Company have been made up) within two years immediately preceding the Latest Practicable Date and are or may be material:

- (a) the Agreement; and
- (b) the sale and purchase agreement dated 25 April 2014 entered into between YGM Asset Management Limited which is incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Company, as the purchaser and PGS Nominee No 1 Limited and PGS Nominee No 2 Limited as the vendors in relation to the acquisition of a leasehold property in London at a consideration of £13,880,000.

MISCELLANEOUS

- (a) The registered office and principal place of business of the Company is at 22 Tai Yau Street, San Po Kong, Kowloon, Hong Kong.
- (b) The company secretary of the Company is Mr. Leung Wing Fat, FCCA and FCPA. 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.
- (c) The share registrar of the Company is Computershare Hong Kong Investor Services Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

DOCUMENT AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company during normal business hours on any business day, from the date of this circular up to and including 3 September 2015:

- (a) this circular;
- (b) the Articles of Association;
- (c) the annual reports of the Company for the two years ended 31 March 2014 and 31 March 2015;
- (d) the material contracts referred to under the section headed "Material contracts" in this appendix;
- (e) the letter and valuation certificate relating to the valuation report on the Property prepared by Roma Appraisals Limited, the texts of which are set out in Appendix II to this circular; and
- (f) the written consent referred to in the paragraph under the heading "Expert and consent" in this appendix.