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## **YGM TRADING LIMITED**

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

### **MAJOR TRANSACTION: THE ACQUISITION OF CERTAIN TRADEMARKS OF “AQUASCUTUM”;**

**AND**

### **RESUMPTION OF TRADING**

#### **THE ACQUISITION**

On 8 September 2009, Aquascutum, Renown, YGM International and YGM Mart (amongst others) entered into the Acquisition Agreement pursuant to which, inter alia, Aquascutum has conditionally agreed to sell and YGM International and YGM Mart have conditionally agreed to acquire the Asian IP Rights from Aquascutum at a consideration of £13.7 million (approximately HK\$173,716,000).

The Directors (including the independent non-executive Directors) consider that the terms of the Acquisition and the Acquisition Agreement were negotiated on an arm's length basis and agreed on normal commercial terms between the parties and that the terms of the Acquisition Agreement are fair and reasonable so far as the shareholders of the Company are concerned and are in the best interests of the Company and its shareholders as a whole.

The entering into of the Acquisition Agreement constitutes a major transaction of the Company under the Listing Rules. A circular of the Company containing, among other matters, details of the Acquisition and a valuation report of the “Aquascutum” trademarks will be despatched to its shareholders as soon as practicable.

#### **SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, trading in the shares of the Company was suspended with effect from 9:30 a.m. on 8 September 2009 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in the shares of the Company with effect from 2:30 p.m. on 10 September 2009.

#### **BACKGROUND**

On 25 May 2009, the Company announced that a subsidiary of the Company and Renown entered into a letter of intent pursuant to which the Company and Renown had entered into negotiations for the sale and purchase of the Aquascutum Group (which owns “Aquascutum” brand) from Renown.

Following the entering into of the letter of intent, the Company entered into further negotiations with Renown and Aquascutum in relation to the acquisition of the Asian IP Rights. On 8 September 2009, Aquascutum, Renown, YGM International and YGM Mart (together with other Independent Third Parties) entered into the Acquisition Agreement pursuant to which Aquascutum has conditionally agreed to sell and YGM International and YGM Mart have

conditionally agreed to acquire the Asian IP Rights from Aquascutum at a consideration of £13.7 million (approximately HK\$173,716,000).

## **THE ACQUISITION AGREEMENT**

**Date:** 8 September 2009

### **Parties (amongst others):**

- (1) Aquascutum, as vendor;
- (2) Renown, as warrantor; and
- (3) YGM International and YGM Mart (each a wholly owned subsidiary of the Company), as purchasers of the Asian IP Rights.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of Aquascutum and Renown and their respective ultimate beneficial owners is an Independent Third Party.

### **Sale and Purchase of Asian IP Rights**

Upon Completion, YGM International and YGM Mart shall acquire all right, title and interest in the Asian IP Rights together with all goodwill of the business in relation to which they are and have been used (but no other or greater goodwill) including all rights, privileges and advantages thereto including, without limitation, the right to take proceedings and recover damages and obtain all other remedies in respect of past infringements thereof to hold unto the relevant purchaser absolutely.

### **Consideration**

The Consideration shall be £13.7 million (approximately HK\$173,716,000), which shall be satisfied by YGM International and YGM Mart as follows:

- (1) the sum of £12,330,000 (approximately HK\$156,344,400) on Completion; and
- (2) the sum of £1,370,000 (approximately HK\$17,371,600), being 10% of the Consideration to be paid into a retention account (the "**Retention Fund**").

YGM International and YGM Mart shall be entitled to retain the Retention Fund as security for YGM International and YGM Mart for any claim made by either of them against Renown under the warranties given by Renown. The Retention Fund will only be released from the retention account in the following manner:

- (1) if either YGM International or YGM Mart (as applicable) is recorded as the registered proprietor of certain of the trade marks comprising the Asian IP Rights (and has received written evidence thereof) ("**Recordal Completion**") within 12 months after the Completion Date, £685,000 (approximately HK\$8,685,800), being 50% of the Retention Fund (the "**First Retention Payment**"), will be released to Renown on the date falling 12 months after the Completion Date;
- (2) if Recordal Completion does not occur within 12 months after the Completion Date, the First Retention Payment will be released to Renown on the date on which Recordal Completion occurs;
- (3) if Recordal Completion occurs within 24 months after the Completion Date, the remaining balance of the Retention Fund (the "**Second Retention Payment**") will be released to Renown on the date falling the 24 months after the Completion Date; and

- (4) if Recordal Completion does not occur within 24 months after the Completion Date, the Second Retention Payment will be released to Renown on the date on which Recordal Completion occurs,

provided that should Recordal Completion be only attained in respect of an agreed group of trade marks comprising the Asian IP Rights, certain of the Retention Fund will be withheld from the First Retention Payment or the Second Retention Payment (as the case may be) should (2) or (4) above be applicable for each other jurisdiction in which Recordal Completion for trade marks comprising the Asian IP Rights has not yet been obtained; and provided further that all amounts held in the retention account on the date falling 36 months after the Completion Date shall be released to Renown notwithstanding that Recordal Completion has not been attained by such time, and in any case in the absence of any claim by YGM International or YGM Mart against Renown for any breach of warranties.

The Directors value the history of “Aquascutum” in the fashion industry and the licences Aquascutum granted for the manufacturing and distribution of products bearing the well-known “Aquascutum” trademark in the past. The Consideration was negotiated between the parties at arm’s length and on normal commercial terms, by reference to, among other considerations, the preliminary indication of the range of value of the Asian IP Rights of between £10 million and £20 million (approximately between HK\$126,800,000 and HK\$253,600,000) as supplied by American Appraisal China Limited, an independent professional valuer. Based on the aforesaid, the Board considers that the Consideration is fair and reasonable.

### **Condition precedent**

Completion is conditional upon the approval of the transactions contemplated hereunder by shareholders of the Company by means of the passing at a general meeting of ordinary resolution(s) or, subject to the permission of the Stock Exchange, the written approval by a shareholder or a group of shareholders of the Company, in compliance with the Listing Rules and the compliance by the Company in all material respects with the terms and conditions of all laws, rules, regulations and orders to which it or its assets are subject.

The Company has obtained the requisite approval from the relevant shareholders of the Company as more particularly described in the paragraph headed “Listing Rules Requirement” below. Accordingly, the condition precedent was satisfied and Completion took place on 8 September 2009 after the signing of the Acquisition Agreement.

### **INFORMATION ON THE ASIAN IP RIGHTS**

Aquascutum owns the rights to the well-known “Aquascutum” brand which has over 150 years of history, and is principally engaged in the manufacturing and distribution of luxury apparel and clothing under “Aquascutum” brand.

YGM Garment entered into a licence agreement with Aquascutum on 25 June 2003 and a variation agreement on 25 January 2006 for a term expiring on 31 December 2013 (the “**Existing Licence Agreement**”) pursuant to which Aquascutum has granted YGM Garment the exclusive rights for the manufacturing, wholesaling and marketing of ready-to-wear apparels bearing the “Aquascutum” trademark in the Hong Kong, Macau, PRC, Taiwan, Singapore, Malaysia and Thailand.

Effective on Completion, YGM International and YGM Mart will hold all rights in the intellectual property including, but not limited to, registered and unregistered trademarks, trademark applications and logos owned by Aquascutum in the Asian Territories (including the trademarks of “Aquascutum”) for use, offer for sale, selling, advertising, marketing or promoting products or services including, without limitation, in print or broadcast media and over the internet exclusively in the Asian Territories.

## OTHER ANCILLARY AGREEMENTS OR DOCUMENTS

On Completion, YGM International and YGM Mart shall collectively be the legal and beneficial owners of the Asian IP Rights. Pursuant to the Acquisition Agreement and for giving the desired and full effect to the Acquisition and the management and delineation of the rights to the Trademarks after Completion, YGM International, YGM Mart and YGM Garment (as the case may be) also entered into certain other agreements or documents with Aquascutum and Renown (amongst others), as more particularly described below:

- (1) Pursuant to the Existing Licence Agreement, YGM Garment had made certain payments in the amount of approximately £1,500,000 (approximately HK\$19,020,000) as royalty prepayments in respect of the royalties payable in 2009 and 2010 (the **“Royalty Prepayment”**). Pursuant to the Acquisition Agreement, YGM Garment and Aquascutum has entered into a termination and royalty prepayment repayment deed pursuant to which the Existing Licence Agreement shall be terminated and Aquascutum has agreed to repay and YGM Garment has agreed to receive the Royalty Prepayment upon Completion without prejudice to its obligations to Aquascutum in respect of unpaid royalties in relation to the royalty year beginning January 2009.
- (2) YGM Mart and Renown has entered into a licence agreement (the **“New Licence Agreement”**), under which YGM Mart shall grant a licence to Renown for the use of certain Asian IP Rights acquired under the Acquisition in the manufacture, distribution and sale of certain approved products in the territory of Japan in consideration of the payment of the annual royalty calculated in accordance with the terms therein by Renown to YGM Mart and for an initial term of about ten years commencing on the Completion Date and ending on 31 December 2019 (with an option to extend for another ten years from the end of the original term to be exercised by Renown no later than 31 December 2017).
- (3) As the ownership of all Asian IP Rights, as acquired pursuant to the Acquisition Agreement, relates only to the Asian Territories, YGM Mart and YGM International has entered into a deed with Aquascutum and other Independent Third Parties conditional upon Completion (the **“IP Use Deed”**) to protect those rights acquired under the Acquisition and to maintain the prestige and image of the **“Aquascutum”** brand worldwide. The IP Use Deed shall regulate the marketing, promotion or advertisement of products under the **“Aquascutum”** trademarks by YGM Mart, YGM International and Aquascutum on the internet within the Asian Territories.

## REASONS FOR ENTERING INTO THE ACQUISITION AGREEMENT

Aquascutum is a limited liability company incorporated under the laws of England and Wales. According to the information provided by Aquascutum, Aquascutum is principally engaged in manufacturing, designing, wholesale distributing, marketing and licensing of major consumer branded products primarily in apparel and accessories, including luxury apparel and clothing under **“Aquascutum”** brand, in major global markets. To the best knowledge of the Directors, Aquascutum had been owned by Renown since 1990.

Renown is principally engaged in the business as a comprehensive apparel manufacturer of men’s and women’s clothing, covering all distribution channels, including department stores, general merchandise stores and retail stores. The issued shares of Renown are listed on the Tokyo Stock Exchange.

The Group is principally engaged in the manufacturing, retailing and wholesaling of apparel and accessories, property investment and printing in Asia, including Taiwan.

As disclosed above, prior to the entering into the Acquisition Agreement, the Group had been a licensee of the **“Aquascutum”** brand for Hong Kong, Macau, PRC, Taiwan, Singapore,

Malaysia and Thailand pursuant to the Existing Licence Agreement.

The Board considers that “Aquascutum” brand has been a part of London city life since its establishment in 1851. Its heritage is rooted in excellent British tailoring and it has always had a keen eye on fashion, creating an understated elegance and stylishly luxurious look. Its sartorial confidence, authentic quality and fine craftsmanship shown in the faultless attention to detail is trusted throughout the world. Aquascutum is positioned as an up-market brand and targets entrepreneurs, professionals and executives. Aquascutum’s high standard of service is well recognised. Under the management of the Group, the brand achieved the ‘Service Retailer of the Year in Fashion & Accessories - High Fashion Category’ of the ‘Mystery Shoppers Programme’ organised by the Hong Kong Retail Management Association four times from 2004 to 2006 and 2008.

The Directors are of the view that the Acquisition is beneficial to the Group on the grounds that pursuant to the Acquisition, the Group has acquired an internationally established and leading brand for its future development in the Asian Territories. With the outright ownership of the Asian IP Rights in the “Aquascutum” brand, the Group is able to tap the value of this well-known brand for which the Group has been a licensee for some time.

The Directors are of the view that in the long term, it would be beneficial for the Group to appoint a leading international company as its licensee to help promote the “Aquascutum” brand in Japan. The grant of the licence to Renown of the relevant “Aquascutum” trademarks on Completion will enable the Group to promote and enhance the value of this trademark as a whole. In addition, the Directors believe that the New Licence Agreement will bring benefits to the Group by way of reasonable returns as the annual royalties received from the New Licence Agreement will be used to develop and expand its international retail network and as general working capital and will further strengthen the financial position of the Group.

The Directors (including the independent non-executive Directors) consider that the terms of the Acquisition and the Acquisition Agreement were negotiated on an arm’s length basis and agreed on normal commercial terms between the parties and that the terms of the Acquisition Agreement are fair and reasonable so far as the shareholders of the Company are concerned and are in the best interest of the Company and its shareholders as a whole.

## **LISTING RULES REQUIREMENT**

The Acquisition constitutes a major transaction for the Company pursuant to Rule 14.06(3) of the Listing Rules. The Acquisition Agreement and the transactions contemplated thereunder in respect of the Acquisition are therefore subject to the approval by the shareholders of the Company which may be given by a majority vote at a general meeting of the shareholders of the Company or a written shareholders’ approval in lieu of holding a general meeting on the conditions that (i) no shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the transaction; and (ii) the written shareholders’ approval has been obtained from a shareholder or a closely allied group of shareholders who together hold more than 50% in nominal value of the securities giving the right to attend and vote at that general meeting to approve the transaction.

Since no shareholders of the Company or any of their associates (within the meaning of the Listing Rules) are required to abstain from voting if a general meeting is to be convened for the approval of the Acquisition, the Company have obtained the written approval of the Acquisition from the shareholders of the Company who hold more than 50% in nominal value of the issued share capital of the Company in lieu of holding a general meeting for the approval of the Acquisition pursuant to Rule 14.44 of the Listing Rules.

The following persons or entities, being the shareholders of the Company not interested in the Acquisition and who are beneficially interested in an aggregate of 85,680,162 shares in the capital of the Company which represent approximately 55.64% in nominal value of the issued share capital of the Company, and who shall comprise a closely allied group of Shareholders for

the purposes of Rule 14.44 of the Listing Rules, gave their written approval of the Acquisition on 4 September 2009 and in compliance with Rule 14.60(5) of the Listing Rules, the details of these shareholders are as follows:

<b>Name of beneficial shareholder</b>	<b>Relationship among the shareholders</b>	<b>No. of ordinary shares of the Company beneficially interested</b>	<b>Approximate percentage of total issued share capital of the Company as of the date of the written approval</b>
Chan Sui Kau	–	4,929,272	3.20%
Chan Wing Fui Peter	Son of SK Chan and the brother of Chan Wing Sun Samuel and Chan Suk Ling Shirley	324,068	0.21%
Chan Wing Sun Samuel	Son of SK Chan and the brother of Chan Wing Fui Peter and Chan Suk Ling Shirley	9,363,216	6.08%
Chan Suk Ling Shirley	Daughter of SK Chan and the sister of Chan Wing Fui Peter and Chan Wing Sun Samuel	3,613,544	2.34%
Fu Sing Yam William	Nephew of SK Chan	900,462	0.58%
Chan Wing Kee	Nephew of SK Chan and the brother of Chan Wing To	3,692,776	2.40%
Chan Wing To	Nephew of SK Chan and the brother of Chan Wing Kee	4,144,736	2.69%
Chan Family Investment Corporation Limited	Company owned by members of the Chan Family comprising Messrs SK Chan, Chan Wing Fui Peter, Chan Wing Sun Samuel, Fu Sing Yam William, Chan Wing Kee	29,601,700	19.24%

	and Chan Wing To and Madam Chan Suk Ling Shirley		
Canfield Holdings Limited	Company owned by the Chan Family comprising Messrs Chan Wing Fui Peter, Chan Wing Sun Samuel, Chan Wing Kee and Chan Wing To and Madam Ms. Chan Suk Ling Shirley	24,595,908	15.98%
Hearty Development Limited	Company owned by the Chan Family comprising Messrs Chan Wing Fui Peter, Chan Wing Sun Samuel, Chan Wing Kee and Chan Wing To and Madam Chan Suk Ling Shirley	2,917,480	1.89%
Super Team International Limited	Company owned by the Chan Family comprising Messrs Chan Wing Kee and Chan Wing To	1,597,000	1.03%
	<b>Aggregate</b>	85,680,162	55.64%

## GENERAL

The entering into of the Acquisition Agreement constitutes a major transaction of the Company under the Listing Rules. A circular of the Company containing, among other matters, details of the Acquisition and the valuation report will be despatched to its shareholders as soon as practicable.

As at the date of this announcement, board of Directors consists of seven executive Directors, namely, Chan Sui Kau, Chan Wing Fui Peter, Chan Wing Sun Samuel, Chan Suk Ling Shirley, Fu Sing Yam William, Chan Wing Kee, Chan Wing To; and three independent non-executive Directors, namely, Leung Hok Lim, Wong Lam and Lin Keping.

## SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company was suspended with effect from 9:30 a.m. on 8 September 2009 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in the shares of the Company with effect from 2:30 p.m. on 10 September 2009.

## DEFINITIONS

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

“Acquisition”	the proposed acquisition by YGM International and YGM Mart of the Asian IP Rights
“Acquisition Agreement”	the agreement for the sale and purchase of, among other things, the Asian IP Rights dated 8 September 2009 entered into between, among others, Aquascutum as vendor, Renown as warrantor, and YGM International and YGM Mart as purchasers of the Asian IP Rights
“Aquascutum”	Aquascutum Limited, a company incorporated in England and Wales with limited liability and the entire issued share capital of which is owned by Aquascutum Group
“Aquascutum Group”	Aquascutum Group Limited, a company incorporated in England and Wales with limited liability and the shares of which are wholly owned by Renown and Renown Agency Inc. (which to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, is a subsidiary of Renown), and each of its subsidiaries
“Asian IP Rights”	all of the Intellectual Property owned by Aquascutum and each member of the Aquascutum Group in relation to the Asian Territories and to be acquired pursuant to the Acquisition
“Asian Territories”	a total of 42 countries and regions in Asia including, but not limited to, PRC, Hong Kong, Japan, Indonesia, India, the Philippines, Malaysia, Thailand, Taiwan, Singapore, Brunei, and Macau
“Completion”	completion of the Acquisition Agreement
“Completion Date”	the date on which Completion shall occur in accordance with the terms of the Acquisition Agreement
“Company”	YGM Trading Limited, a company incorporated under the laws of Hong Kong and the shares of which are listed on the Stock Exchange
“Consideration”	the consideration for the Asian IP Rights
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	persons who, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, are third parties independent of the Company and its connected persons (as defined in the Listing Rules)



“Intellectual Property”	patents, trademarks, service marks, logos, business names, rights in designs, rights in get-up, rights in goodwill or to sue for passing off, unfair competition rights, copyrights and database rights, topography rights, domain names, know-how and business information, trade secrets and rights in confidence (whether or not any of these is registered and including applications for registration of any such thing) and all rights or forms of protection of a similar nature or having equivalent or similar effect to any of these which may subsist anywhere in the world
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“PRC”	the People’s Republic of China
“Renown”	Renown Incorporated, a company incorporated under the laws of Japan and the shares of which are listed on the Tokyo Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trademarks”	the registrations of, pending applications to register and all unregistered trademark rights in all trademarks owned by Aquascutum immediately prior to Completion
“YGM Garment”	YGM Garment Limited, a company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of the Company
“YGM International”	Aquascutum International Licensing Limited, a company incorporated under the laws of England and Wales and a wholly-owned subsidiary of YGM Mart
“YGM Mart”	YGM Mart Limited, a company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.
“£”	pound, the lawful currency of the United Kingdom

By order of the board of Directors  
**Chan Wing Sun Samuel**  
*Director*

Hong Kong, 10 September 2009

*Unless otherwise specified herein, translations of £ into HK\$ are made for illustration purposes at the rate of £1 = HK\$12.68.*