
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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YGM TRADING LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00375)

**POSSIBLE MAJOR AND CONNECTED TRANSACTION
REGARDING THE DISPOSAL OF SHARES IN
HANG TEN GROUP HOLDINGS LIMITED
PURSUANT TO THE IRREVOCABLE UNDERTAKING
TO ACCEPT THE VOLUNTARY CONDITIONAL CASH OFFER BY
CITIGROUP GLOBAL MARKETS ASIA LIMITED
ON BEHALF OF
PERFECT LEAD INVESTMENTS LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
HANG TEN GROUP HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY
PERFECT LEAD INVESTMENTS LIMITED AND
PARTIES ACTING IN CONCERT WITH IT)**

Financial Adviser to the Company



South West Capital Limited
西南融資有限公司

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



**大有融資有限公司
MESSIS CAPITAL LIMITED**

A letter from the Board is set out on pages 5 to 14 of this circular. A letter from the Independent Board Committee containing its recommendation is set out on page 15 of this circular. A letter from MESSIS Capital Limited, the Independent Financial Adviser, containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 29 of this circular.

A notice convening the extraordinary general meeting to be held at 22 Tai Yau Street, San Po Kong, Kowloon, Hong Kong on 19 January 2012 at 11:30 a.m. is set out on page 36 of this circular. A form of proxy for use at the meeting is enclosed herewith. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the registered office of the Company at 22 Tai Yau Street, San Po Kong, Kowloon, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy shall not preclude you from attending and voting in person at the meeting or any adjourned meeting thereof should you so wish.

3 January 2012

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DEFINITIONS

In this circular, the following expressions have the meanings respectively set opposite them unless the context otherwise requires:

“Additional Shares”	8,200,000 Hang Ten Shares which were originally owned by the Company and deposited with the Law Firm for safe custody, and of which the Company has demanded for the return
“associate(s)”	has the meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Citi”	Citigroup Global Markets Asia Limited
“Company”	YGM Trading Limited (Stock Code: 00375), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“Conditions”	the conditions of the Offer, as set out in the paragraph headed “Conditions of the Offer” in the “Letter from the Board” contained in this circular
“connected person(s)”	has the meaning as ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning as ascribed to it under the Listing Rules
“Directors”	directors (including the independent non-executive directors) of the Company
“Disposal”	disposal of all the Hang Ten Shares held by the Group by accepting the Offer pursuant to the Irrevocable Undertaking
“DK”	Kung Ging Kong, Dennis
“DK Family Members”	DK, Hung, Kenneth (son of DK), Hung Pui Kee, Peggy (daughter of DK), Hung Chung Yee (daughter of DK) and Asian Wide Services Limited, a company incorporated in the British Virgin Islands which is owned by some of the family members of DK
“EGM”	an extraordinary general meeting to be convened by the Company to consider, and if thought fit, approve the Disposal
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegates of the Executive Director
“Final Closing Date”	the date to be stated in the Offer Document as the final closing date of the Offer (or such later time(s) and/or date(s) as the Offeror may, subject to the Takeovers Code, decide) as may be announced by the Offeror and approved by the Executive

DEFINITIONS

“First Closing Date”	the date to be stated in the Offer Document as the first closing date of the Offer (or such later time(s) and/or date(s) as the Offeror may, subject to the Takeovers Code, decide) as may be announced by the Offeror and approved by the Executive
“Governmental Authorities”	any government (or political subdivision of it), whether on a state, provincial, municipal or local level and whether executive, legislative, administrative or judicial in nature, including (without limitation) any agency, authority, board, bureau, commission, court, department or any other instrumentality
“Group”	the Company and its subsidiaries
“Hang Ten”	Hang Ten Group Holdings Limited (Stock Code: 00448), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Hang Ten Group”	Hang Ten and its subsidiaries
“Hang Ten Shares”	ordinary share(s) of HK\$0.10 each in the issued share capital of Hang Ten
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“holding company”	has the meaning as ascribed to it under the Listing Rules
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the committee of the Board comprising Mr. Leung Hok Lim, Mr. Lin Keping and Mr. Sze Cho Cheung, Michael, being independent non-executive Directors, formed to advise the Independent Shareholders on whether the terms and conditions of the Disposal are fair and reasonable
“Independent Financial Adviser”	Messis Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity as defined under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Disposal
“Independent Shareholders”	Shareholders who are not required to abstain from voting at the EGM
“Irrevocable Undertaking”	the irrevocable undertaking dated 15 December 2011 given by each of the Company and the DK Family Members in favour of the Offeror in connection with the Offer
“KH”	Hung, Kenneth

DEFINITIONS

“Last Trading Day”	15 December 2011, being the last trading day of the Hang Ten Shares prior to its suspension in trading on the Stock Exchange before publication of the Offer Announcement
“Latest Practicable Date”	29 December 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Law Firm”	a firm of solicitors in Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	the 47th business day from the publication of the Offer Announcement (or any later date as the Offeror may designate)
“Offer”	the voluntary conditional cash offer to be made by Citi on behalf of the Offeror for all the issued Hang Ten Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it)
“Offer Announcement”	the announcement in connection with the Offer jointly made by the Offeror and Hang Ten on 19 December 2011
“Offer Document”	the offer document to be issued by the Offeror or the composite document to be jointly issued by the Offeror and Hang Ten to all holders of Hang Ten Shares in accordance with the Takeovers Code in relation to the Offer
“Offer Price”	the price at which the Offer will be made, being HK\$2.70 per Hang Ten Share
“Offeror”	Perfect Lead Investments Limited, a company incorporated in the British Virgin Islands with limited liability
“Offeror Group”	King Lun Holdings Limited and its subsidiaries
“PRC”	the People’s Republic of China (for the purpose of this circular, excluding Hong Kong, Taiwan and the Macao Special Administrative Region of the PRC)
“Resolution”	the ordinary resolution to be proposed at the EGM as set out in the notice of EGM which is set out on page 36 of this circular
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	holders of the Shares
“Shares”	ordinary share(s) of HK\$0.50 each in the issued share capital of the Company

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	Group Smart Management Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Company
“substantial shareholder(s)”	has the meaning as ascribed to it under the Listing Rules
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Voting Undertakings”	the undertakings executed by 15 Shareholders in favour of the Company and the Offeror on 15 December 2011 to vote in favour of the Resolution at the EGM, more particularly described in the paragraph headed “Voting Undertakings” in the “Letter from the Board” contained in this circular
“%”	Per cent.

LETTER FROM THE BOARD

YGM TRADING LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00375)

Executive Directors:

Chan Sui Kau (*Honorary Chairman*)
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

Registered Office:

22 Tai Yau Street
San Po Kong
Kowloon
Hong Kong

Independent Non-executive Directors:

Leung Hok Lim
Lin Keping
Sze Cho Cheung, Michael

3 January 2012

To the Shareholders

Dear Sir or Madam,

**POSSIBLE MAJOR AND CONNECTED TRANSACTION
REGARDING THE DISPOSAL OF SHARES IN
HANG TEN GROUP HOLDINGS LIMITED
PURSUANT TO THE IRREVOCABLE UNDERTAKING
TO ACCEPT THE VOLUNTARY CONDITIONAL CASH OFFER BY
CITIGROUP GLOBAL MARKETS ASIA LIMITED
ON BEHALF OF
PERFECT LEAD INVESTMENTS LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
HANG TEN GROUP HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY
PERFECT LEAD INVESTMENTS LIMITED AND
PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

The Offeror and Hang Ten jointly announced on 19 December 2011 that Citi will make a voluntary conditional cash offer on behalf of the Offeror for all the issued Hang Ten Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) at a cash consideration of HK\$2.70 per Hang Ten Share.

LETTER FROM THE BOARD

As announced by the Company on 19 December 2011, the Company executed the Irrevocable Undertaking on 15 December 2011 in favour of the Offeror, pursuant to which it has irrevocably undertaken to accept or procure the acceptance of the Offer in respect of all the Hang Ten Shares held by the Group.

This circular provides you with, among other things, (i) further details of the Irrevocable Undertaking and the Disposal; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders; (iii) the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) the financial information of the Group; and (v) a notice of the EGM.

OFFER FOR HANG TEN SHARES

The Offeror and Hang Ten jointly announced on 19 December 2011 that Citi will make a voluntary conditional cash offer on behalf of the Offeror for all the issued Hang Ten Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) in accordance with the Takeovers Code.

The consideration in respect of the Offer is as follows:-

For every Hang Ten ShareHK\$2.70 in cash

The Offer Price of HK\$2.70 per Hang Ten Share represents:

- a premium of approximately 58.8% over the closing price of HK\$1.70 per Hang Ten Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 62.7% over the average of the closing prices as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day of HK\$1.66 per Hang Ten Share;
- a premium of approximately 59.8% over the average of the closing prices as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day of HK\$1.69 per Hang Ten Share;
- a premium of approximately 54.3% over the average of the closing prices as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day of HK\$1.75 per Hang Ten Share; and
- a premium of approximately 1.5% over the closing price of HK\$2.66 per Hang Ten Share as quoted on the Stock Exchange on the Latest Practicable Date.

The highest and lowest closing prices of the Hang Ten Shares quoted on the Stock Exchange during the six-month period preceding the Last Trading Day were HK\$2.41 per Hang Ten Share on 6 July 2011 and HK\$1.26 per Share on 4 October 2011 respectively.

The Offeror intends to finance the cash required for the Offer from financial resources available to it.

LETTER FROM THE BOARD

Provided that the Offer has become, or has been declared, unconditional in all respects, payment in respect of acceptances of the Offer will be made as soon as possible but in any event within 10 days of the later of the date on which the Offer becomes, or is declared, unconditional in all respects and the date of receipt of a duly completed acceptance.

CONDITIONS OF THE OFFER

The Offer will be conditional on the satisfaction or waiver of the following Conditions:

- (a) valid acceptances of the Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on the First Closing Date (or such later time(s) and/or date(s) as the Offeror may, subject to the rules of the Takeovers Code, decide) in respect of such number of Hang Ten Shares (which shall include all the Hang Ten Shares owned by the Selling Shareholders) which will result in the Offeror and persons acting in concert with it holding at least 69.06% of the voting rights in Hang Ten;
- (b) the Hang Ten Shares remaining listed and traded on the Main Board of the Stock Exchange up to the First Closing Date (save for any temporary suspension of trading of the Hang Ten Shares pending any announcement in connection with the Irrevocable Undertaking and the Offer) and no indication being received on or before the First Closing Date from the SFC and/or the Stock Exchange to the effect that the listing of the Hang Ten Shares on the Stock Exchange is or is likely to be withdrawn or suspended;
- (c) the transactions contemplated under the Irrevocable Undertaking and the Offer having been approved by the shareholders of the Company as required by and in accordance with the Listing Rules and other applicable laws and regulations;
- (d) (i) all approvals, authorisations, consents, licences, certificates, permits, concessions, agreements or other permissions of any kind of, from or by any Governmental Authority, regulatory body or other third party as are necessary for the consummation of the transactions contemplated in the Irrevocable Undertaking and the Offer and in connection with, including, without limitation, any change in the direct or indirect shareholder(s) or ultimate controlling shareholder(s) of any member of the Hang Ten Group, the concession rights or licences to carry out its operations having been obtained and remaining in full force and effect without variation from all Governmental Authorities and all conditions (if any) to such consents having been fulfilled; (ii) each member of the Hang Ten Group possessing or having obtained all licences and permits from the Governmental Authorities that are necessary to carry on its business; and (iii) all mandatory consents from third parties in relation to the Offer required pursuant to any agreement to which any member of the Hang Ten Group is a party having been obtained for the Offer or waived by the relevant party(ies), unless any lack of such consents, approvals, authorisations, licences, certificates, permits, concessions, agreements or other permissions referred to in this sub-paragraph (d)(i), (ii) or (iii) would not have a material adverse effect on the business of the Hang Ten Group taken as a whole;
- (e) no event having occurred which would make the Offer void, unenforceable, illegal or prohibit the implementation of the Offer;

LETTER FROM THE BOARD

- (f) no Governmental Authority or court, tribunal or arbitrator in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry, or enacted or made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order that would make the Offer void, unenforceable or illegal or that would prohibit or restrict the implementation of, or which would impose any material conditions, limitations or obligations with respect to the Offer or the transactions contemplated under the Irrevocable Undertaking (other than such orders or decisions as would not have a material adverse effect on the legal ability of the Offeror to proceed with or consummate the Offer and the transactions contemplated under the Irrevocable Undertaking); and
- (g) since 30 September 2011 but save as publicly disclosed by Hang Ten prior to the date of the Irrevocable Undertaking, there having been no change, effect, fact, event or circumstance which has had or would reasonably be expected to have a material adverse effect on, or to cause a material adverse change in, the general operations, management, financial position, business, conditions (whether financial, operational or legal), earnings, solvency, shareholders' equity or results of operations of the Hang Ten Group taken as a whole, whether or not arising in the ordinary course of business.

The Offeror may, at its absolute discretion, waive any or all of the Conditions referred to above, save that Condition (a) may only be waived if the Offeror receives acceptances in respect of the Offer which would result in the Offeror and persons acting in concert with it holding more than 50% of the voting rights in the Company and Condition (c) cannot be waived. The Company shall use its reasonable endeavours to procure that a general meeting of the Company be convened to consider and approve the Irrevocable Undertaking and the transactions contemplated thereunder as required under the Listing Rules as soon as reasonably practicable and, to the extent that it is within the control of the Company, within 45 business days from the date of publication of the Joint Announcement. Each of the Company and the DK Family Members shall use its/his/her respective reasonable endeavours to procure the fulfilment of the Conditions (other than Condition (c), which shall be the sole obligation of the Company, but not the DK Family Members), in each case on or before the Long Stop Date.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Conditions as a basis for not proceeding with the Offer if the circumstances which give rise to the right to invoke any of such Conditions are of material significance to the Offeror in the context of the Offer.

Shareholders and/or potential investors of the Company should note that the completion of the Offer is subject to the Conditions being satisfied (or waived) and therefore the Offer may or may not become unconditional and may or may not be completed. Accordingly, Shareholders and/or potential investors of the Company should therefore exercise caution when dealing in the Shares.

THE COMPANY'S INTERESTS IN HANG TEN

The Company, together with the Subsidiary, are currently interested in 214,202,000 Hang Ten Shares, representing approximately 21.81% of all the issued Hang Ten Shares and the Company also has a right to demand for the return of the Additional Shares from the Law Firm. Hang Ten is currently accounted for as an associate of the Company.

LETTER FROM THE BOARD

The Additional Shares were deposited with the Law Firm in 2003 for safe custody. In around August 2011, the Company was informed that a partner of the Law Firm has misappropriated certain assets held by the Law Firm and therefore took action to demand the return of the Additional Shares. The Law Firm has agreed to return the Additional Shares but there is no certainty when and to what extent the Company will receive the Additional Shares. The Company will closely monitor the progress of the demand and is seeking legal advice on the Company's right in the event that the Company has not received the Additional Shares in full no later than 3 business days before the Final Closing Date or when the Offeror exercises its right of compulsory acquisition.

IRREVOCABLE UNDERTAKING

On 15 December 2011, each of the Company and the DK Family Members has given the Irrevocable Undertaking in favour of the Offeror, pursuant to which the Company has irrevocably undertaken to accept or procure the acceptance of the Offer within 5 business days following the despatch of the Offer Document or 2 business days after it has obtained Independent Shareholders' approval as required and in accordance with the Listing Rules, whichever is later, or in the case of the Additional Shares, if and to the extent any Additional Shares are received by the Group no later than 3 business days before the Final Closing Date, within 3 business days after its receipt of such Additional Shares and in any event on or prior to the Final Closing Date; and each of the DK Family Members has irrevocably undertaken to accept or procure the acceptance of the Offer within 5 business days following the despatch of the Offer Document, in respect of all their respective Hang Ten Shares set out below:

	Number of Hang Ten Shares	Approximate percentage of all the issued Hang Ten Shares
The Company and the Subsidiary	214,202,000 - 222,402,000*	21.81% - 22.64%*
Asian Wide Services Limited	371,890,000	37.86%
DK	18,650,000	1.90%
KH	36,800,000	3.75%
Hung Pui Kee, Peggy	18,532,000	1.89%
Hung Chung Yee, Pamela	18,356,000	1.87%
Total:	678,430,000 - 686,630,000*	69.07% - 69.90%* (Note)

* Depending on whether and to what extent the Additional Shares are received by the Group no later than 3 business days before the Final Closing Date.

Note: These figures of the total percentages are arrived by dividing the total numbers of Hang Ten Shares shown in the second column by the total number of Hang Ten Shares in issue, instead of being the sum of the percentages shown in the third column.

LETTER FROM THE BOARD

The Company has further irrevocably undertaken under the Irrevocable Undertaking that if and to the extent that the Group receives any Additional Shares after the 3rd business day before the Final Closing Date and if the Offeror has decided at its discretion to exercise its rights of compulsory acquisition of all Hang Ten Shares in respect of which the Offer has not then been accepted under the Takeovers Code and applicable laws and rules, the Company shall sell and transfer and procure the sale and transfer of such Additional Shares to the Offeror subject to and on the terms of the compulsory acquisition, and the Company shall not, and shall procure that none of its subsidiaries shall, apply to or initiate any proceedings in any court of Bermuda or other relevant jurisdictions to seek relief in connection with the compulsory acquisition or otherwise object to the compulsory acquisition or take any action which may result in the compulsory acquisition being frustrated.

Further, under the terms of the Irrevocable Undertaking, the Company and the DK Family Members shall not withdraw nor procure the withdrawal from any such acceptance, notwithstanding that they or the Company's subsidiaries may become entitled to withdraw any such acceptance by virtue of laws and the Takeovers Code.

The obligations of the Company to accept or procure the acceptance of the Offer under the Irrevocable Undertaking are conditional upon the Company having obtained Independent Shareholders' approval as required and in accordance with the Listing Rules.

The Irrevocable Undertaking will be terminated and all obligations of the Company and the DK Family Members under the Irrevocable Undertaking (save for certain obligations including but not limited to confidentiality obligations and save for antecedent breaches and accrued rights) will forthwith lapse (i) if the Conditions are not satisfied or waived by the Long Stop Date; or (ii) on the withdrawal or lapsing of the Offer if required under the Takeovers Code.

INFORMATION OF THE OFFEROR

The Offeror is a company incorporated in the British Virgin Islands on 22 September 2011 with limited liability. As at the Latest Practicable Date, the Offeror is wholly and beneficially owned by Li & Fung (Retailing) Limited. Li & Fung (Retailing) Limited is an investment holding company for the retail businesses of its holding company, Li & Fung (1937) Limited, which in turn is a wholly-owned subsidiary of King Lun Holdings Limited. King Lun Holdings Limited is a company incorporated in the British Virgin Islands and is beneficially owned as to 50% by Dr. William Fung Kwok Lun and as to 50% by HSBC Trustee (C.I.) Limited as trustee of a trust established for the benefit of the family members of Dr. Victor Fung Kwok King, Dr. Victor Fung Kwok King and Dr. William Fung Kwok Lun are brothers.

The principal activities of the Offeror Group are investment holding and the retailing of apparels in Hong Kong and the PRC and children's products in Hong Kong and South East Asia.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Offeror and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

LETTER FROM THE BOARD

INFORMATION OF HANG TEN

The Hang Ten Group is principally engaged in the design, marketing and retail and wholesale of apparel and accessories under various brand names including “Hang Ten”, and licensing of its proprietary trademark “Hang Ten” and associated marks.

The net assets of Hang Ten as at 30 September 2011 based on Hang Ten’s interim report 2011 amounted to HK\$955,740,000. The audited net profits before and after taxation of Hang Ten for the year ended 31 March 2011 amounted to HK\$283,701,000 and HK\$239,063,000, respectively. The audited net profits before and after taxation of Hang Ten for the year ended 31 March 2010 amounted to HK\$181,747,000 and HK\$141,157,000, respectively.

INFORMATION OF THE GROUP

The principal businesses of the Group are manufacturing, retail and wholesale of world-renowned apparel and accessories, licensing of trademarks, printing and related services and property rental.

RELATIONSHIP BETWEEN HANG TEN AND THE GROUP

As disclosed in the Hang Ten’s annual report 2011, the Hang Ten Group leases retail stores and equipment to, incurs rental expenses and provide maintenance services for retail stores of Michel Rene Enterprises Limited, a subsidiary of the Company. The Company expects that these transactions will continue following the Disposal as and if it deems appropriate in the ordinary course of the Group’s business.

USE OF PROCEEDS

The total cash consideration to be received by the Company under the Disposal amounts to approximately HK\$578,000,000 or approximately HK\$600,000,000 (if the Group receives the Additional Shares from the Law Firm in full (i) no later than three business days before the Final Closing Date or, (ii) after the Final Closing Date, in the event that the Offeror exercises its right of compulsory acquisition). The net proceeds is estimated to be approximately HK\$567,000,000 or approximately HK\$589,000,000 (if the Group receives the Additional Shares from the Law Firm in full (i) no later than three business days before the Final Closing Date or, (ii) after the Final Closing Date, in the event that the Offeror exercises its right of compulsory acquisition).

The gain expected to accrue to the Company as a result of the Disposal of 222,402,000 Hang Ten Shares, which is calculated by deducting the Group’s interest in Hang Ten of HK\$219,700,000 as at 30 September 2011 as shown in its interim report 2011 and the estimated amount of provision to be made in the Company’s accounts in respect of the contingent liabilities as a result of warranties given by the Company under the Irrevocable Undertaking in the amount of HK\$30,000,000 (which is equivalent to approximately 5% of the total cash consideration to be received by the Company under the Disposal) from the net proceeds of approximately HK\$589,000,000, amounts to approximately HK\$340,000,000. However, this amount may differ from the actual amount of gain to be recognised in the Company’s income statement depending on the actual number of the Additional Shares to be received and sold by the Group under the Disposal and the actual amount of provision to be made in the Company’s accounts in respect of the contingent liabilities as a result of warranties given by the Company under the Irrevocable Undertaking.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Directors consider that the Offer provides a good opportunity for the Company to realise its investment in Hang Ten at a price higher than the prevailing market price of Hang Ten Shares.

The Directors consider that the Irrevocable Undertaking and the Disposal are on normal commercial terms and the terms thereof are fair and reasonable, and that the Disposal is in the interests of the Company and the Shareholders as a whole.

Mr. Chan Wing Sun, Samuel, an executive Director and Vice Chairman of the Company, is the chairman and the chief executive officer of Hang Ten and is interested in 550,000 Hang Ten Shares, representing approximately 0.06% of all the issued Hang Ten Shares. Madam Chan Suk Ling, Shirley, an executive Director and the chief executive officer of the Company, is interested in 456,000 Hang Ten Shares, representing approximately 0.05% of all the issued Hang Ten Shares. Mr. Fu Sing Yam, William, an executive Director and the Managing Director of the Company, is interested in 200,000 Hang Ten Shares, representing approximately 0.02% of all the issued Hang Ten Shares. None of them or other Directors is considered as having a material interest in the Disposal. However, Mr. Chan Wing Sun, Samuel, Madam Chan Suk Ling, Shirley and Mr. Fu Sing Yam, William have abstained from the Board meeting approving the Disposal.

FINANCIAL EFFECTS OF THE DISPOSAL ON THE COMPANY

As at 30 September 2011, the unaudited consolidated net asset value of the Group was approximately HK\$1,243,430,000. As confirmed by the Directors, the Disposal will lead to some significant changes to the assets of the Group but will not cause any significant change to the liabilities of the Group. Non-current assets will be reduced by approximately HK\$219,700,000, representing the interest of the Group in Hang Ten. On the other hand, cash and cash equivalents will be increased by approximately HK\$589,000,000 which represents the net proceeds from the Disposal of 222,402,000 Hang Ten Shares to be received by the Group. Hence, the net impact to the consolidated net assets value of the Group is a net increase of approximately HK\$369,300,000.

The Directors also confirmed that the Disposal would have an adverse effect on earnings of the Group in that the Group will no longer account for any share of profits from Hang Ten after the Disposal. Shares of profits from Hang Ten for last three years ended 31 March 2011 and the six months ended 30 September 2011 were approximately HK\$17,072,000, HK\$29,478,000, HK\$49,128,000 and HK\$24,723,000 respectively, representing approximately 21.3%, 15.0%, 17.6% and 22.2% of the profits attributable to the Shareholders.

However, since the Group's cash resources will be further strengthened upon receipt of the net proceeds of the Disposal, it is expected that the Group will seek appropriate investment opportunities to further enhance the Group's earnings, business and trading prospects and therefore the Directors consider that the Disposal is in the interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, the Group has not yet identified any investment opportunity to be pursued by the Group and therefore the net proceeds from the Disposal is currently expected to be used as the Group's general working capital.

LISTING RULES IMPLICATIONS

If the Offer proceeds, the Disposal will constitute a major transaction for the Company under Chapter 14 of the Listing Rules.

LETTER FROM THE BOARD

Given Asian Wide, which is a party to the Irrevocable Undertaking, is a substantial shareholder of Hang Ten and it is a controller within the meaning under Chapter 14A of the Listing Rules by virtue of its 32% shareholdings in Michel Rene Enterprises Limited, a 68%-owned subsidiary of the Company, and DK and KH are directors of such company, the Disposal will also constitute a connected transaction for the Company under Rule 14A.13(b)(i) of the Listing Rules. The Disposal will therefore be subject to the Independent Shareholders' approval.

As at the Latest Practicable Date, DK owned 200,000 Shares and 300,000 options to acquire 300,000 Shares and KH owned 250,000 Shares. Since both of them are parties to the Irrevocable Undertaking, they are regarded as having material interest in the Disposal and therefore, they are required to abstain from voting on the Resolution at the EGM under the Listing Rules. Save for DK and KH, none of the Shareholders is required to abstain from voting on the Resolution at the EGM under the Listing Rules.

EGM

A notice convening the EGM to be held at 22 Tai Yau Street, San Po Kong, Kowloon, Hong Kong on 19 January 2012 at 11:30 a.m. is set out on page 36 of this circular. At the EGM, the Resolution will be proposed to approve the Disposal.

A form of proxy for use at the EGM is enclosed herewith. Whether or not you are able to attend the EGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the registered office of the Company at 22 Tai Yau Street, San Po Kong, Kowloon, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof should you so wish.

Shareholders are advised to read the notice and to complete and return the accompanying form of proxy for use at the EGM in accordance with the instructions printed thereon.

Pursuant to Article 75 of the Articles of Association, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:

- (i) by the chairman of the meeting; or
- (ii) by at least three members present in person by a duly authorised corporate representative or by proxy for the time being entitled to vote at the meeting; or
- (iii) by any member or members present in person by a duly authorised corporate representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iv) by a member or members present in person by a duly authorised corporate representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

LETTER FROM THE BOARD

Under Rules 13.39(4) to 13.39(5) of the Listing Rules, any voting of shareholders of listed issuers at a general meeting must be taken by way of poll and the listed issuers must announce the poll results in the prescribed manner. In compliance with these Rules of the Listing Rules, the chairman of the EGM shall demand the Resolution to be put to vote by poll at the EGM and the Company will announce the poll results accordingly.

VOTING UNDERTAKINGS

15 Shareholders including certain Directors and their affiliates, which include Mr. Chan Wing Sun, Samuel, Mr. Chan Wing Fui, Peter, Mrs. Chan Arunee, Madam Chan Suk Ling, Shirley, Mr. Chan Wing Kee, Mr. Fu Sing Yam, William, Runneymede Consultants Limited, Keng Tin Enterprises Limited, Priority Holdings Limited, Trans-Business Inc., Power Sea Investment Limited, Chan Family Investment Corporation Limited, Tai Wah Investment Company Ltd, Yangtzekiang Investment Company Limited and Hearty Development Limited, being holders of an aggregate of 82,958,574 Shares representing approximately 50.46% of the total issued Shares, have each executed an undertaking on 15 December 2011 in favour of the Company and the Offeror pursuant to which, among other things, each of them has severally, irrevocably and unconditionally undertaken to exercise its/his/her voting rights attaching to the Shares beneficially owned by it/him/her at the EGM to vote in favour of the resolution(s) for approving the Irrevocable Undertaking, the acceptance of the Offer and any transactions contemplated thereunder unless it/he/she is required to abstain from voting at such meeting under the Listing Rules or by the Stock Exchange.

RECOMMENDATION

The Directors consider that the Irrevocable Undertaking and the Disposal are on normal commercial terms and the terms thereof are fair and reasonable, and that the Disposal is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that all the Shareholders vote in favour of the Resolution.

ADDITIONAL INFORMATION

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders on the terms of the Irrevocable Undertaking and the Disposal. Your attention is drawn to its letter of recommendation set out on page 15 of this circular.

Messis Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal. Your attention is drawn to its letter of recommendation set out on pages 16 to 29 of this circular.

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

Yours faithfully,
By order of the Board
YGM TRADING LIMITED
Chan Wing Fui, Peter
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation from the Independent Board Committee which has been prepared for the purpose of inclusion in this circular.

YGM TRADING LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00375)

3 January 2012

To the Independent Shareholders

Dear Sir or Madam,

**POSSIBLE MAJOR AND CONNECTED TRANSACTION
REGARDING THE DISPOSAL OF SHARES IN
HANG TEN GROUP HOLDINGS LIMITED
PURSUANT TO THE IRREVOCABLE UNDERTAKING
TO ACCEPT THE VOLUNTARY CONDITIONAL CASH OFFER BY
CITIGROUP GLOBAL MARKETS ASIA LIMITED
ON BEHALF OF
PERFECT LEAD INVESTMENTS LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
HANG TEN GROUP HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY
PERFECT LEAD INVESTMENTS LIMITED AND
PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to the circular of the Company dated 3 January 2012 (the “Circular”), of which this letter forms part. Unless specified otherwise, terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board to advise you on the terms of the Irrevocable Undertaking and the Disposal. Messis Capital Limited has been appointed as the Independent Financial Adviser to advise you and us in this regard. Details of their advice, together with the principal factors and reasons they have taken into consideration in giving such advice, are set out on pages 16 to 29 of the Circular. Your attention is also drawn to the letter from the Board in the Circular and the additional information set out in the appendices thereto.

RECOMMENDATION

Having considered the terms of the Irrevocable Undertaking and the Disposal and taking into account the independent advice of the Independent Financial Adviser and the relevant information contained in the letter from the Board, we are of the opinion that the Irrevocable Undertaking and the Disposal are on normal commercial terms and the terms thereof are fair and reasonable, and that the Disposal is in the interests of the Company and the Independent Shareholders as a whole.

Accordingly, we recommend that you vote in favour of the Resolution to be proposed at the EGM to approve the Irrevocable Undertaking and the transactions contemplated thereunder including the Disposal.

Yours faithfully

For and on behalf of

**Independent Board Committee of
YGM TRADING LIMITED**

Leung Hok Lim
*Independent Non-executive
Director*

Lin Keping
*Independent Non-executive
Director*

Sze Cho Cheung, Michael
*Independent Non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from Messis Capital Limited which sets out its advice to the Independent Board Committee and the Independent Shareholders in relation to the Disposal prepared for the purpose of incorporation in this circular.



大有融資有限公司
MESSIS CAPITAL LIMITED

3 January 2012

To: *The Independent Board Committee and the Independent Shareholders
of YGM Trading Limited*

Dear Sir/ Madam,

**POSSIBLE MAJOR AND CONNECTED TRANSACTION
REGARDING THE DISPOSAL OF SHARES IN
HANG TEN GROUP HOLDINGS LIMITED
PURSUANT TO THE IRREVOCABLE UNDERTAKING
TO ACCEPT THE VOLUNTARY CONDITIONAL CASH OFFER BY
CITIGROUP GLOBAL MARKETS ASIA LIMITED
ON BEHALF OF
PERFECT LEAD INVESTMENTS LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
HANG TEN GROUP HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY
PERFECT LEAD INVESTMENTS LIMITED AND
PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in connection with the Disposal, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 3 January 2012 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 19 December 2011, the Offeror and Hang Ten jointly announced that Citi will make a voluntary conditional cash offer on behalf of the Offeror for all the issued Hang Ten Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) at cash consideration of HK\$2.70 per Hang Ten Share.

On 15 December 2011, each of the Company and the DK Family Members has given the Irrevocable Undertaking in favour of the Offeror, pursuant to which each of them has irrevocably undertaken to accept or procure the acceptance of the Offer in respect of all their respective Hang Ten Shares totaling 678,430,000 Hang

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Ten Shares (representing approximately 69.07% of all the issued Hang Ten Shares) or 686,630,000 Hang Ten Shares (if the Group receives the Additional Shares from the Law Firm in full no later than three business days before the Final Closing Date) (representing approximately 69.90% of all the issued Hang Ten Shares).

If the Offer proceeds, the Disposal will constitute a major transaction for the Company under Chapter 14 of the Listing Rules. Given Asian Wide, which is a party to the Irrevocable Undertaking, is a substantial shareholder of Hang Ten and it is a controller within the meaning under Chapter 14A of the Listing Rules by virtue of its 32% shareholdings in Michel Rene Enterprises Limited, a 68%-owned subsidiary of the Company, and DK and KH are directors of such company, the Disposal will also constitute a connected transaction for the Company under Rule 14A.13(b)(i) of the Listing Rules. The Disposal will therefore be subject to the Independent Shareholders' approval. As at the Latest Practicable Date, DK owned 200,000 Shares and 300,000 options to acquire 300,000 Shares and KH owned 250,000 Shares. Since both of them are parties to the Irrevocable Undertaking, they are regarded as having material interest in the Disposal and therefore, they are required to abstain from voting on the Resolution at the EGM under the Listing Rules. Save for DK and KH, none of the Shareholders is required to abstain from voting on the Resolution at the EGM under the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Leung Hok Lim, Mr. Lin Keping and Mr. Sze Cho Cheung, Michael, has been established to advise the Independent Shareholders as to whether the Disposal is fair and reasonable so far as the Independent Shareholders are concerned and is in the interest of the Company and the Shareholders as a whole and how to vote on the relevant resolution(s) at the EGM. We, Messis Capital Limited, have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in these regards.

BASIS OF OUR OPINION AND RECOMMENDATION

In arriving at our recommendation, we have relied on the statements, information and representations contained in the Circular and the information and representations provided to us by the Directors and the management of the Company. We have assumed that all information and representations contained or referred to in the Circular and all information and representations which have been provided by the Directors and the management of the Company are true and accurate at the time they were made and will continue to be accurate as at the date of the despatch of the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Company.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular the omission of which would make any such statement contained in the Circular, including this letter, misleading. We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have not, however, carried out any independent verification of the information provided by the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group, the Offeror, Hang Ten and their respective associates.

This letter is issued for the information for the Board solely in connection with their consideration of the Disposal, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our advice with regard to the terms of the Disposal, we have taken into consideration the following factors and reasons:

1. Information of the Group

(1) *Business of the Group and its relationship with Hang Ten*

The Group is principally engaged in the manufacturing, retail and wholesale of world-renowned apparel and accessories, licensing of trademarks, printing and related services and property rental.

The Company, together with the Subsidiary, are currently interested in 214,202,000 Hang Ten Shares, representing approximately 21.81% of all the issued Hang Ten Shares and the Company also has a right to demand for the return of the Additional Shares from the Law Firm. Details of the Additional Shares are set out in the Letter from the Board. Hang Ten is currently accounted for as an associate of the Company.

Mr. Chan Wing Sun, Samuel, an executive Director and Vice Chairman of the Company, is the chairman and the chief executive officer of Hang Ten and is interested in 550,000 Hang Ten Shares, representing approximately 0.06% of all the issued Hang Ten Shares. Madam Chan Suk Ling, Shirley, an executive Director and the chief executive officer of the Company, is interested in 456,000 Hang Ten Shares, representing approximately 0.05% of all the issued Hang Ten Shares. Mr. Fu Sing Yam, William, an executive Director and the Managing Director of the Company, is interested in 200,000 Hang Ten Shares, representing approximately 0.02% of all the issued Hang Ten Shares.

As disclosed in Hang Ten's annual report 2011, Hang Ten Group leases retail stores and equipment to, incurs rental expenses and provide maintenance services for retail stores of Michel Rene Enterprises Limited, a subsidiary of the Company. The Company expects that these transactions will continue following the Disposal as and if it deems appropriate in the ordinary course of the Group's business.

(2) *Financial information of the Group*

The table below summaries the audited consolidated financial results of the Group for each of the three years ended 31 March 2011 as extracted from the Group's annual report for the year ended 31 March 2011 (the "2011 Annual Report") and for the year ended 31 March 2010 (the "2010 Annual Report"):

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Table A – Summary of the consolidated audited financial results of the Group

	For the year ended 31 March		
	2011	2010	2009
	<i>HK\$'000</i> <i>(Audited)</i>	<i>HK\$'000</i> <i>(Audited)</i>	<i>HK\$'000</i> <i>(Audited)</i>
Turnover	1,154,609	991,055	971,936
– Sale of garments	1,021,638	881,358	876,044
– Licensing of trademarks	91,746	76,185	59,533
– Printing and related services	39,448	32,154	34,675
– Property rental	1,777	1,358	1,684
Profit before taxation	326,107	228,903	91,084
Profit for the year attributable to the Shareholders	279,883	196,587	80,187

Source: 2011 Annual Report and 2010 Annual Report

As set out above, the Group recorded a turnover of approximately HK\$1,154,609,000 for the year ended 31 March 2011, representing an increase of approximately 16.50% from the preceding financial year. The Group's profit attributable to the Shareholders increased by approximately 42.37% from approximately HK\$196,587,000 for the year ended 31 March 2010 to approximately HK\$279,883,000 for the year ended 31 March 2011. As explained in the 2011 Annual Report, the Group completed the acquisition of all right, title and interest in the intellectual property rights of "Aquascutum" in relation to 42 countries and regions in Asia in September 2009, which have a significant favourable impact on the operating results of the Group for the year ended 31 March 2011 as a result of savings in royalty expense which was significant in previous years together with additional royalty income from licensing "Aquascutum" trademarks.

For the year ended 31 March 2010, the Group recorded a turnover of approximately HK\$991,055,000, representing a slight increase of approximately 1.97% as compared to approximately HK\$971,936,000 for the year ended 31 March 2009. The Group's profit attributable to the Shareholders for the year ended 31 March 2010 was HK\$196,587,000, representing a significant increase of approximately 145.16% for the preceding financial year. According to the 2010 Annual Report, the increase in the profit for the year ended 31 March 2010 was mainly attributable to (i) total royalty and related income from external customers increased by approximately 27.97% from the previous financial year to approximately HK\$76,185,000 as a result of the acquisition of "Aquascutum"; (ii) total distribution expenses decreased by approximately 10.95% from the previous financial year to approximately HK\$326,880,000; and (iii) unrealised gain on valuation of trading securities at fair value of approximately HK\$1,350,000 as opposed to an unrealised loss of approximately HK\$2,220,000 for the previous financial year and valuation gains on investment properties of approximately HK\$20,500,000.

The table below summaries the consolidated financial position of the Group as at 30 September 2011, 31 March 2011, 31 March 2010 and 31 March 2009 as extracted from the Group's interim report for the six months ended 30 September 2011 (the "**2011 Interim Report**"), 2011 Annual Report and 2010 Annual Report:

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Table B – Summary of the consolidated financial position of the Group

	As at 30	As at 31 March		
	September	2011	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
Current assets	733,915	796,336	444,888	492,470
Non-current assets	780,218	740,891	748,948	499,094
Current liabilities	253,563	276,325	233,581	178,669
Non-current liabilities	17,140	17,894	15,785	14,648
Total equity attributable to the Shareholders	1,223,691	1,219,701	922,413	779,302

Source: 2011 Interim Report, 2011 Annual Report and 2010 Annual Report

As at 30 September 2011, the Group's net assets attributable to the Shareholders were approximately HK\$1,223,691,000 as compared with approximately HK\$1,219,701,000 as at 31 March 2011. The Group's gearing ratio as at 30 September 2011 as calculated based on total borrowings of approximately HK\$5,699,000 and shareholder's equity of approximately HK\$1,223,691,000 was only 0.005.

2. Information of Hang Ten

The Hang Ten Group is principally engaged in the design, marketing and retail and wholesale of apparel and accessories under various brand names including "Hang Ten", and licensing of its proprietary trademark "Hang Ten" and associated marks.

As set out in the Letter from the Board, the net assets of Hang Ten as at 30 September 2011 based on Hang Ten's interim report 2011 amounted to approximately HK\$955,740,000. The audited net profits before and after taxation of Hang Ten for the year ended 31 March 2011 amounted to approximately HK\$283,701,000 and HK\$239,063,000, respectively. The audited net profits before and after taxation of Hang Ten for the year ended 31 March 2010 amounted to approximately HK\$181,747,000 and HK\$141,157,000, respectively.

3. Information of the Offeror

As set out in the Letter from the Board, the Offeror is a company incorporated in the British Virgin Islands on 22 September 2011 with limited liability. As at the Latest Practicable Date, the Offeror is wholly and beneficially owned by Li & Fung (Retailing) Limited, an investment holding company for the retail businesses of its holding company, Li & Fung (1937) Limited, which in turn is a wholly-owned subsidiary of King Lun Holdings Limited. King Lun Holdings Limited is a company incorporated in the British Virgin Islands and is beneficially owned as to 50% by Dr. William Fung Kwok Lun and as to 50% by HSBC Trustee (C.I.) Limited as trustee of a trust established for the benefit of the family members of Dr. Victor Fung Kwok King. Dr. Victor Fung Kwok King and Dr. William Fung Kwok Lun are brothers. The principal activities of the Offeror Group are investment holding and the retailing of apparels in Hong Kong and the PRC and children's products in Hong Kong and South East Asia.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Offeror and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

4. Background of and reasons for the Disposal

On 19 December 2011, the Offeror and Hang Ten jointly announced that Citi will make a voluntary conditional cash offer on behalf of the Offeror for all the issued Hang Ten Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) at cash consideration of HK\$2.70 per Hang Ten Share.

As announced by the Company on 19 December 2011, the Company executed the Irrevocable Undertaking on 15 December 2011 in favour of the Offeror, pursuant to which it has irrevocably undertaken to accept or procure the acceptance of the Offer in respect of all the Hang Ten Shares held by the Group.

The Directors consider that the Offer provides a good opportunity for the Company to realise its investment in Hang Ten at a price higher than the prevailing market price of Hang Ten Shares.

As set out in the Letter from the Board, the net proceeds from the Disposal is estimated to be approximately HK\$567,000,000 or approximately HK\$589,000,000 (if the Group receives the Additional Shares from the Law Firm in full (i) no later than three business days before the Final Closing Date or, (ii) after the Final Closing Date, in the event that the Offeror exercises its right of compulsory acquisition). According to the Letter from the Board, it is expected that the Group will seek appropriate investment opportunities to further enhance the Group's earnings, business and trading prospects. As at the Latest Practicable Date, the Group has not yet identified any investment opportunity to be pursued by the Group and therefore the net proceeds from the Disposal is currently expected to be used as the Group's general working capital.

Taking into account that (i) the Offer provides a good opportunity for the Company to realise its investment in Hang Ten at a price higher than the prevailing market price of Hang Ten Shares; and (ii) the Disposal will bring in cash proceeds which in turn can strengthen the working capital position of the Group and enable it to redeploy its resources to the remaining business, we concur with the Board's view that the Disposal and the execution of the Irrevocable Undertaking are in the interest of the Company and the Shareholders as a whole.

5. Principal Terms of the Disposal

The consideration in respect of the Offer is HK\$2.70 per Hang Ten Share.

The Offer Price of HK\$2.70 per Hang Ten Share represents:

- (a) a premium of approximately 58.8% over the closing price of HK\$1.70 per Hang Ten Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 62.7% over the average of the closing prices as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day of HK\$1.66 per Hang Ten Share;
- (c) a premium of approximately 59.8% over the average of the closing prices as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day of HK\$1.69 per Hang Ten Share;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (d) a premium of approximately 54.3% over the average of the closing prices as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day of HK\$1.75 per Hang Ten Share; and
- (e) a premium of approximately 1.5% over the closing price of HK\$2.66 per Hang Ten Share as quoted on the Stock Exchange on the Latest Practicable Date.

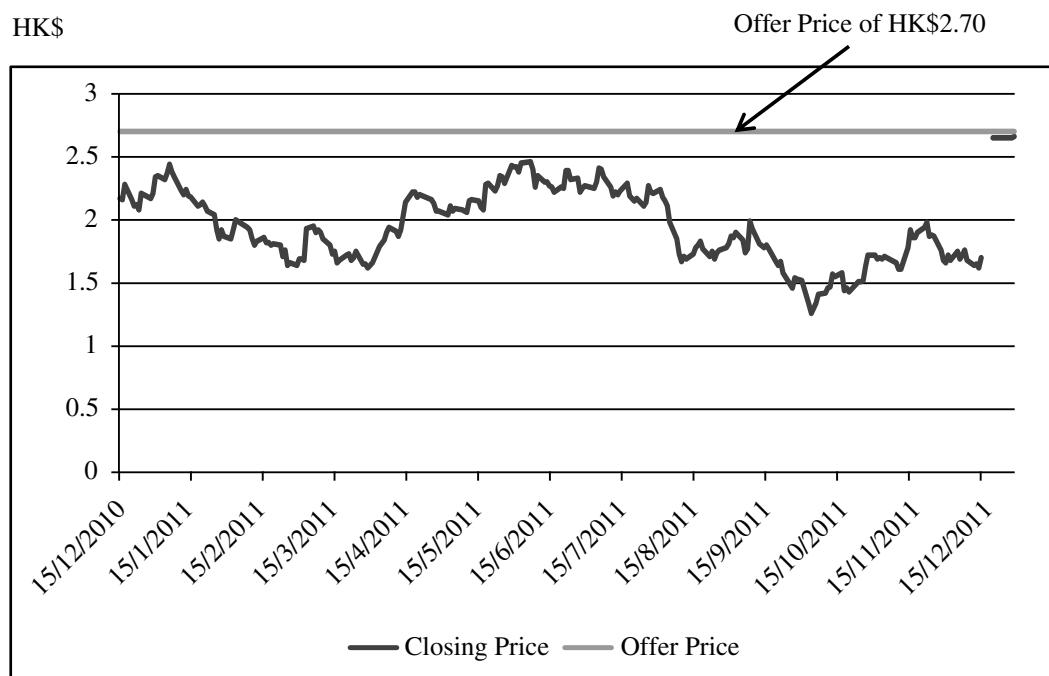
Details of the Disposal (including the conditions of the Offer and the details of the Irrevocable Undertaking) are set out in the Letter from the Board.

In order to assess the fairness and reasonableness of the Offer Price, we set out the following information for analysis:

(1) ***Historical performance of Hang Ten Shares***

We have reviewed the movements in the closing prices of Hang Ten Shares for the period commencing from 15 December 2010 (being the first trading day of the month falling 12-month period prior to the Last Trading Day) up to the Latest Practicable Date (the “**Review Period**”). We are of the view that the Review Period being around 12-month period prior to and including the Last Trading Day would provide us with the most recent market information of Hang Ten Shares. The closing prices of Hang Ten Shares during the Review Period are set out below:

Chart A – Price performance of Hang Ten Shares



Source: website of the Stock Exchange (www.hkex.com.hk)

Note: Trading in Hang Ten Shares on the Stock Exchange was suspended on 16 December 2011 and 19 December 2011.

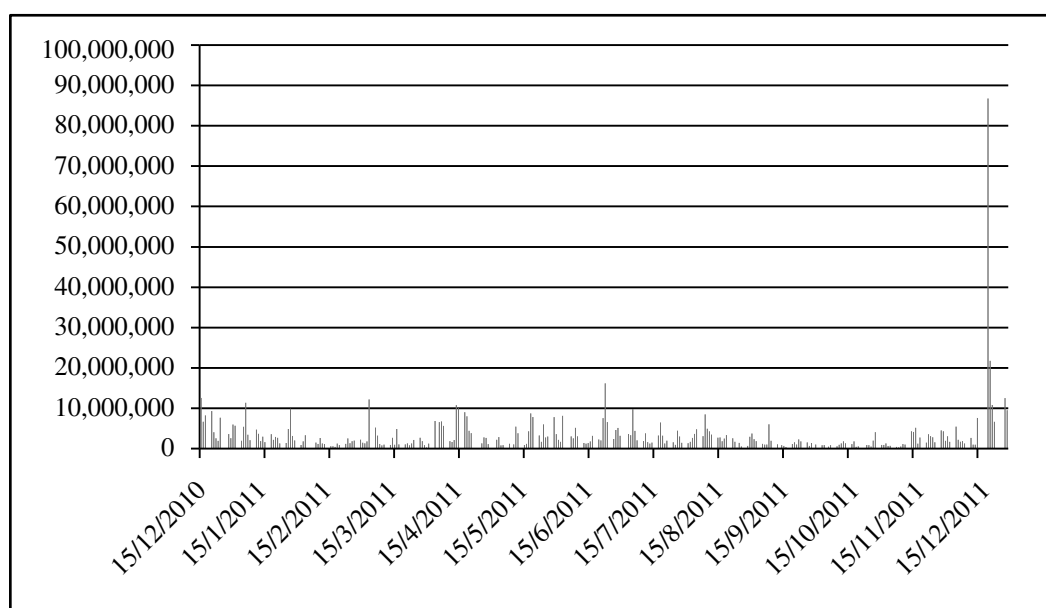
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As illustrated in the chart above, the Offer Price was always higher than the closing prices of Hang Ten Shares during the Review Period. The Offer Price represents (i) a premium of approximately 1.5% over the highest closing price per Hang Ten Share of HK\$2.66 which was recorded on the Latest Practicable Date; and (ii) a premium of approximately 114.29% over the lowest closing price per Hang Ten Share of HK\$1.26 which was recorded on 4 October 2011. We consider that the substantial increase in the price of Hang Ten Share on 20 December 2011 was mainly attributable to the Offer.

(2) *Trading liquidity of Hang Ten Shares*

The following chart sets out the daily trading volume of Hang Ten Shares during the Review Period:

Chart B – Trading volume of Hang Ten Shares



Source: website of the Stock Exchange (www.hkex.com.hk)

Table C below sets out the trading volume, the average daily number of Hang Ten Shares traded per month and the respective percentage daily volume compared with the issued share capital and the public float respectively during the Review Period:

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Table C – Trading volume of Hang Ten Shares

	Total monthly trading volume <i>(in number of shares)</i>	Approximate average daily trading volume <i>(in number of shares)</i> <i>(Note 1)</i>	Percentage of average daily trading volume to total number of Hang Ten Shares in issue as at the Latest Practicable Date <i>(Approximate %)</i> <i>(Note 2)</i>	Percentage of average daily trading volume to total number of Hang Ten Shares held by public shareholders as at the Latest Practicable Date <i>(Approximate %)</i> <i>(Note 3)</i>
2010				
December (from 15 December 2010 to 31 December 2010)	70,595,730	5,882,978	0.60%	2.06%
2011				
January	73,531,992	3,501,523	0.36%	1.23%
February	27,339,008	1,518,834	0.15%	0.53%
March	50,421,864	2,192,255	0.22%	0.77%
April	86,246,072	4,791,448	0.49%	1.68%
May	68,881,622	3,444,081	0.35%	1.21%
June	84,326,842	4,015,564	0.41%	1.41%
July	60,393,413	3,019,671	0.31%	1.06%
August	64,914,059	2,822,350	0.29%	0.99%
September	30,369,714	1,518,486	0.15%	0.53%
October	21,929,790	1,096,490	0.11%	0.38%
November	47,387,195	2,153,963	0.22%	0.76%
December (up to the Latest Practicable Date)	177,215,826	9,327,149	0.95%	3.27%

Source: website of the Stock Exchange (www.hkex.com.hk)

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume of Hang Ten Shares for the month/period by the number of trading days during the month/period.
2. Based on 982,250,000 Hang Ten Shares in issue as at the Latest Practicable Date.
3. Based on 285,269,919 Hang Ten Shares held by public shareholders as at the Latest Practicable Date.

As illustrated above, during the Review Period, the average daily trading volume of Hang Ten Shares as a percentage of the average total issued Hang Ten Shares ranged from 0.11% to 0.95% while the average daily trading volume of Hang Ten Shares as a percentage of the average total number of Hang Ten Shares held by the public ranged from 0.38% to 3.27%.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In view of the general low liquidity of the Hang Ten Shares during the Review Period except for the substantial increase in trading volume after the announcement in relation to the Offer, we consider that there may not be sufficient liquidity in the Hang Ten Shares for the Group to dispose of the Hang Ten Shares in the open market before the entering into the Irrevocable Undertaking. The Group might find it difficult to sell the Hang Ten Shares, especially in large blocks, without significantly depressing the price of the Hang Ten Shares. We therefore concur with the Directors that the Offer provides a good opportunity for the Company to realise their investments in Hang Ten at a price higher than the prevailing market price of Hang Ten Shares without having an adverse impact on the share price of Hang Ten, which we consider to be fair and reasonable as elaborated above.

(3) *Comparison with comparable companies*

For the purpose of assessing the fairness and reasonableness of the consideration of the Disposal implied by the Offer Price, we have identified 10 comparables being companies listed on the Main Board of the Stock Exchange (the “**Comparables**”). We consider that they are fair and representative comparables to Hang Ten as (i) they engaged in businesses similar to Hang Ten, which are principally engaged in the design, marketing and retail and wholesale of apparel and accessories for their latest financial year; (ii) they have more than 90% of the turnover derived from design, marketing, retail and wholesale and licensing of trademark of apparel and accessories for their latest financial year; and (iii) they are profit-making for their latest financial year. Details of our findings on the Comparables are summarised in the table below:

Table D – Comparables

Company (stock code)	Principal activities	Closing price as at the Last Trading Day (being 15 December 2011) (HK\$)	P/E ratio (approximate times) (Note 1)	P/B ratio (approximate times) (Note 2)
Crocodile Garments Limited (00122)	Manufacture and sale of garments, property investment and trading	0.465	3.41	0.29
ENM Holdings Limited (00128)	Wholesale and retail of fashion wear and accessories, resort and recreational club operations, investment holding and securities trading	0.485	16.66	0.77

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Company (stock code)	Principal activities	Closing price as at the Last Trading Day (being 15 December 2011) (HK\$)	P/E ratio (approximate times) (Note 1)	P/B ratio (approximate times) (Note 2)
Moiselle International Holdings Limited (00130)	Design, manufacture, retail and wholesale of fashion apparel and accessories	2.060	7.40	0.90
Esprit Holdings Limited (00330) ("Esprit")	Wholesale and retail distribution and licensing of quality fashion and lifestyle products designed	10.480	171.19	0.83
The Company (00375)	Manufacturing, retail and wholesale of world- renowned apparel and accessories, property investment and printing	17.560	10.31	2.36
Bauhaus International (Holdings) Limited (00483)	Manufacture and trading of garments and accessories	1.760	5.48	1.38
Ports Design Limited (00589)	Design, manufacture and retail distribution of ladies' and men' fashion garments, and the sale of accessories in China and Hong Kong, under the brand name Ports International	12.180	11.93	3.23
Bossini International Holdings Limited (00592)	Investment holding and the retailing, distribution and wholesaling of garments	0.540	6.72	1.10

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Company (stock code)	Principal activities	Closing price as at the Last Trading Day (being 15 December 2011) (HK\$)	P/E ratio (approximate times) (Note 1)	P/B ratio (approximate times) (Note 2)
Giordano International Limited (00709)	Retail and distribution of high quality, value-priced men's women's and children's apparel and accessories under the Giordano, Concepts One, Giordano Ladies, Giordano Junior and BSX brands	5.410	15.32	3.19
I.T Limited (00999)	Sales of fashion wears and accessories	4.290	13.50	2.67
		Highest	171.19	3.23
		Lowest	3.41	0.29
		Average	26.19	1.67
		Adjusted average (excluding the extreme highest P/E ratio of Esprit)	10.08	N/A
		Median	11.12	1.24
Hang Ten	Design, marketing and retail and wholesale of apparel and accessories under various brand names including "Hang Ten", and licensing of its proprietary trademark "Hang Ten" and associated marks	2.70 (being the Offer Price)	11.09 (Note 3)	2.77 (Note 4)

Source: website of the Stock Exchange (www.hkex.com.hk)

Notes:

1. P/E ratios of the Comparables are calculated based on their respective market capitalisation as at the Last Trading Day and their respective consolidated profit attributable to owners of the company for the latest financial year as extracted from their respective latest published audited financial statements.
2. P/B ratios of the Comparables are calculated based on their respective market capitalisation as at the Last Trading Day and their respective consolidated total equity attributable to owner of the company as at the balance sheet date of their respective latest published financial statements.
3. Calculated based on the market capitalisation of Hang Ten of approximately HK\$2,652,075,000 (implied by the Offer Price and 982,250,000 Hang Ten Shares in issue as at the Latest Practicable Date) and the profit attributable to owners of Hang Ten of approximately HK\$239,133,000 for the financial year ended 31 March 2011.
4. Calculated based on the market capitalisation of Hang Ten of approximately HK\$2,652,075,000 (implied by the Offer Price and 982,250,000 Hang Ten Shares in issue as at the Latest Practicable Date) and the consolidated total equity attributable to owners of Hang Ten of approximately HK\$955,740,000 as at 31 March 2011.

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As set out in the above table, the P/E ratios of the Comparables ranged from approximately 3.41 to 171.19 times with an average of approximately 26.19 times. In light of that the profit of Esprit for the latest financial year dropped sharply by approximately 98.13% from the preceding year which resulted in an extreme highest P/E ratio of approximately 171.19 times, we consider that the comparison of the P/E ratio of Hang Ten against Esprit may not be reflective and as such we exclude Esprit for P/E ratio comparison purpose. The adjusted average of the P/E ratios of the Comparables (excluding the P/E ratio of Esprit) was approximately 10.08 times (the “**Adjusted Average P/E Ratio**”). The P/B ratios of the Comparables ranged from approximately 0.29 to 3.23 times with an average of approximately 1.67 times. Given that each of the P/E ratio and P/B ratio implied by the Offer Price is higher than the Adjusted Average P/E Ratio and the average P/B ratio of the Comparables, we consider that the consideration of the Disposal (including the Offer Price) is fair and reasonable so far as the Company and the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

6. Financial effects of the Disposal

(1) Working capital

According to the Letter from the Board, it is expected that the Group will seek appropriate investment opportunities to further enhance the Group’s earnings, business and trading prospects. As at the Latest Practicable Date, the Group has not yet identified any investment opportunity to be pursued by the Group and therefore the net proceeds from the Disposal is currently expected to be used as the Group’s general working capital. As a result of the Disposal, the working capital of the Group is expected to be increased by the net proceeds of approximately HK\$567,000,000 or approximately HK\$589,000,000 (subject to the return of the Additional Shares). As such, we are of the view that the increase in working capital will strengthen the financial position of the Group which is in the interests of the Company and the Shareholders as a whole.

(2) Earnings

As set out in the Letter from the Board, it is expected that the Company will record a gain of approximately HK\$340,000,000 as a result of the Disposal, which is calculated by deducting the Company’s interest in Hang Ten of HK\$219,700,000 as at 30 September 2011 as shown in the 2011 Interim Report and the estimated amount of provision to be made in the Company’s accounts in respect of the contingent liabilities as a result of warranties given by the Company under the Irrevocable Undertaking in the amount of HK\$30,000,000 (which is equivalent to approximately 5% of the total cash consideration to be received by the Company under the Disposal) from the net proceeds of approximately HK\$589,000,000. The actual gain will depend on the actual number of the Additional Shares to be received and sold by the Group under the Disposal and the actual amount of provision to be made in the Company’s accounts in respect of the contingent liabilities as a result of warranties given by the Company under the Irrevocable Undertaking.

The Directors confirmed that the Disposal would have an adverse effect on earnings of the Group as the Group will no longer account for any share of profits from Hang Ten after the Disposal. Shares of profits from Hang Ten for last three years ended 31 March 2011 and the six months ended 30 September 2011 were approximately HK\$17,072,000, HK\$29,478,000, HK\$49,128,000 and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

HK\$24,723,000 respectively, representing approximately 21.3%, 15.0%, 17.6% and 22.2% of the profits attributable to the Shareholders. Although the Disposal may have adverse effect to the future earnings of the Group, given (i) the gain from the Disposal is substantial higher than the share of profit from Hang Ten by the Group that the gain from the Disposal (based on HK\$340,000,000) represents approximately 692% to the share of profit from Hang Ten by the Group for the year ended 31 March 2011; (ii) the Group may apply the proceeds from the Disposal as working capital to develop its business; and (iii) the Offer provides a good opportunity for the Company to realise its investment in Hang Ten at a price higher than the prevailing market price of Hang Ten Shares, we are of the view that the Disposal is fair and reasonable so far as the Independent Shareholders are concerned.

(3) *Net assets value and gearing*

According to the 2011 Interim Report, the unaudited consolidated net assets attributable to the Shareholders were approximately HK\$1,243,430,000 as at 30 September 2011. The Group's gearing ratio as at 30 September 2011 as calculated based on total borrowings of approximately HK\$5,699,000 and shareholder's equity of approximately HK\$1,223,691,000 was only 0.005. It is expected the gain of approximately HK\$340,000,000 from the Disposal would have a positive effect on the net asset position and further improvement on the gearing position of the Group.

RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the terms of the Disposal are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution(s) at the EGM to approve the Disposal.

Yours faithfully,
For and on behalf of
Messis Capital Limited
Robert Siu
Executive Director

INDEBTEDNESS

At the close of business on 30 November 2011, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding unsecured bank loans of approximately HK\$34,774,000.

Save as disclosed above and apart from intra-group liabilities and normal trade payables, at the close of business on 30 November 2011, the Group did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances, debentures, mortgages, charges, finance lease commitments, guarantees or other material contingent liabilities.

For the purpose of this indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the approximately exchange rates prevailing as at 30 November 2011. As at the Latest Practicable Date, the Directors were not aware of any material adverse changes in the Group's indebtedness positions, contingent liabilities, financial or trading position since 30 November 2011.

WORKING CAPITAL

In the absence of unforeseen circumstances and taking into account the internal resources available to the Group and the net proceeds to be received from the Disposal, the Directors are of the opinion that the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of publication of this circular.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP FOR THE YEAR ENDING 31 MARCH 2012

As shown in the Company's Interim Report 2011, during the six months ended 30 September 2011, the Company had increased in sales revenue and overall profit as compared with same period last year despite a challenging economic environment. Consumers' spending in Hong Kong and Mainland China remained strong. Sales of "Aquascutum" increased and the Company believes the brand has yet to reach its potentials as plans for expansion in both sales outlets and product lines are still underway.

Although majority of the Group's business is generated from the Greater China region, economic problems in the U.S. and Europe can also affect negatively the Group's business here. The Group's management recognizes the challenges ahead at this turbulent time and will be prudent in managing the basics such as inventory control, overheads and expenses. However, at the same time, the Company is confident of a steady growth and will also seek opportunities ahead.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

At the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have been taken under such provisions of the SFO) or the Model Code for Securities Transactions by Directors of Listed Issuers or which were required to be entered in the register required to be kept under section 352 of the SFO were as follows:

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

Name of Directors	Number of ordinary shares in the Company			
	Personal interests (i)	Family interests	Corporate interests	Other interests
Chan Sui Kau	3,034,272	214,368	3,840,820	(ii)
Chan Wing Fui, Peter	1,024,068	11,624,420	–	(ii) & (iii)
Chan Wing Sun, Samuel	7,476,072	250,000	7,541,144	(ii) & (iii)
Chan Suk Ling, Shirley	6,617,544	16,000	–	(ii) & (iii)
Fu Sing Yam, William	1,475,462	–	–	(ii)
Chan Wing Kee	9,346,776	819,404	–	(ii), (iii) & (iv)
Chan Wing To	8,998,736	–	–	(ii), (iii) & (iv)
Leung Hok Lim	100,000	–	–	–
Lin Keping	25,000	–	–	–

Notes:

- (i) *The shares are registered under the names of the directors and chief executives who are the beneficial owners.*
- (ii) *34,932,700 shares of the Company were held by Chan Family Investment Corporation Limited (which is owned by Messrs Chan Sui Kau, 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) *2,920,388 shares of the Company were held by Hearty Development Limited which is indirectly owned by Messrs Chan Wing Fui, Peter, Chan Wing Kee, Chan Wing Sun, Samuel and Chan Wing To, Madam Chan Suk Ling, Shirley and other members of the Chan family.*
- (iv) *1,597,000 shares of the Company were held by Super Team International Limited which is indirectly owned by Messrs Chan Wing Kee, Chan Wing To and other members of the Chan family.*

(b) *Share options of the Company*

Pursuant to a share option scheme adopted by the Company on 23 September 2004, the Company had on 17 January 2005 granted to certain Directors the rights to subscribe for Shares at an exercise price of HK\$12.10 per Share exercisable during the period from 16 February 2005 to 15 February 2015 (both days inclusive), details of which are as follows:

Name of Directors	Number of ordinary shares subject to the share options outstanding
Fu Sing Yam, William	600,000
Chan Wing To	500,000

Save as disclosed above, at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have been taken under such provisions of the SFO) or the Model Code for Securities Transactions by Directors of Listed Issuers or which were required to be entered in the register required to be kept under section 352 of the SFO.

At the Latest Practicable Date, there was no contract or arrangement subsisting in which any of the Directors is materially interested and which is significant in relation to the business of the Group.

At the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have since 31 March 2011 (being the date to which the latest published audited consolidated financial statements of the Company were made up) been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

At the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. SERVICE CONTRACTS

At the Latest Practicable Date, none of the Directors had entered into any service contract with any members of the Group other than contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

4. LITIGATION

Saved as disclosed below, at the Latest Practicable Date, the Group was not engaged in any litigation or claim of material importance and there was no litigation or claims of material importance known to the Directors to be pending or threatened by or against the Group.

On 4 March 2008, Societe Guy Laroche (the “**French Subsidiary**”) early terminated the licensing contract (the “**Licensing Contract**”) with a company incorporated in France, which was a former licensee of the Group’s men’s wear for Southern Europe and North Africa (the “**Former Licensee**”), on the ground that the Former Licensee breached the Licensing Contract on numerous occasions. The early termination of the Licensing Contract was first refused by the Tribunal of Commerce of Paris and then upheld by the Supreme Court of Paris. On 1 October 2008, the Licensing Contract was legally terminated by the judgment from the Court of Appeal of Paris.

The French Subsidiary then initiated a claim in the Tribunal of Commerce of Paris against the Former Licensee in an amount of EUR1,404,000 (equivalent to HK\$14,868,000[#]) for the breach of the Licensing Contract by the Former Licensee. The Former Licensee counterclaimed for losses arising from the termination of the Licensing Contract for approximately EUR2,773,000 (equivalent to HK\$29,366,000[#]).

On 22 December 2010, the Tribunal of Commerce of Paris ruled against the French Subsidiary and the French Subsidiary shall be liable for approximately EUR2,600,000 (equivalent to HK\$27,534,000[#]) as indemnities for the losses of gross margin resulting from the termination of the Licensing Contract and EUR15,000 (equivalent to HK\$159,000[#]) for the related design fee incurred. According to the judgment from the Tribunal of Commerce of Paris, the design fee of EUR15,000 (equivalent to HK\$159,000[#]) shall be settled immediately while the indemnity of approximately EUR2,600,000 (equivalent to HK\$27,534,000[#]) is not provisionally enforceable and settlement shall be pending the judgment from the Court of Appeal of Paris. The French Subsidiary appealed against the ruling on 28 December 2010.

Having considered the litigation with the French Subsidiary’s various legal counsels, the Board of Directors believes that the French Subsidiary is unlikely to be liable to the litigation. Accordingly, no provision has been recorded in the financial statements as at 30 September 2011 in respect of the above litigation.

[#] *The HK\$ figure is calculated based on an exchange rate of EUR1 = HK\$10.59 for illustrative purpose only.*

5. COMPETING BUSINESS INTERESTS OF DIRECTORS

At the Latest Practicable Date, none of the Directors or their respective associates had any interest in a business which competes or may compete with the business of the Group.

6. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion and advice, which is contained in this circular:

Name	Qualification
Messis Capital Limited	a licensed corporation to conduct Type 6 regulated activity under the SFO

The Independent Financial Adviser 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.

7. EXPERT'S INTEREST IN ASSETS

At the Latest Practicable Date, the Independent Financial Adviser:

- (a) did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (b) did not have any direct or indirect interest in any assets which had since 31 March 2011 (being the date to which the latest published audited consolidated financial statements of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

8. MATERIAL CONTRACT

Save for the Irrevocable Undertaking, there was no material contract (not being contracts entered into in the ordinary course of business) entered into by the members of the Group within the two years immediately preceding the issue of this circular.

9. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, none of the Directors were aware of any material adverse change in the financial or trading position of the Group since 31 March 2011 (being the date to which the latest published audited consolidated financial statements of the Company were made up).

10. GENERAL

- (a) 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.
- (b) The share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (c) The registered office of the Company is at 22 Tai Yau Street, San Po Kong, Kowloon, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during business hours at the head office of the Company at 22 Tai Yau Street, San Po Kong, Kowloon, Hong Kong from the date of this circular up to and including 19 January 2012:

- (a) the memorandum and articles of association of the Company;
- (b) the Irrevocable Undertaking;
- (c) the Voting Undertakings;
- (d) the “Letter from the Independent Board Committee” as set out in this circular;
- (e) the “Letter from the Independent Financial Adviser” as set out in this circular;
- (f) the written consent referred to in the paragraph headed "Expert and Consent" in this Appendix II;
and
- (g) the annual reports of the Company for each of the two financial years ended 31 March 2011.

NOTICE OF EXTRAORDINARY GENERAL MEETING

YGM TRADING LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00375)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of YGM Trading Limited (the “**Company**”) will be held at 22 Tai Yau Street, San Po Kong, Kowloon, Hong Kong on 19 January 2012 at 11:30 a.m. for the purpose of considering and, if thought fit, passing with or without amendments or modification, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

- (a) the Irrevocable Undertaking (as defined in the circular to the shareholders of the Company dated 3 January 2012 (the “**Circular**”), and a copy of which has been produced to this meeting marked “A” and signed by the chairman of the meeting for identification purpose) and the transactions contemplated thereunder including the Disposal (as defined in the Circular) be and is hereby confirmed, approved, authorised and ratified; and
- (b) the directors of the Company be and are hereby authorised to execute any such documents, instruments and agreements and to do any such acts or things for and on behalf of the Company as may be deemed by such directors in their absolute discretion to be incidental to, ancillary to or in connection with the Irrevocable Undertaking and the transactions contemplated thereunder including the Disposal.”

By Order of the Board
YGM TRADING LIMITED
Leung Wing Fat
Company Secretary

Hong Kong, 3 January 2012

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

Notes:

- (i) *A member entitled to attend and vote at the above meeting may appoint more than one proxy to attend and to vote in his stead. A proxy need not be a member of the Company.*
- (ii) *In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof must be deposited at the registered office of the Company at 22 Tai Yau Street, San Po Kong, Kowloon, Hong Kong not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof.*