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YGM TRADING LIMITED

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

PROGRESS OF MATERIAL LITIGATION

This announcement is made by the Company pursuant to Rule 13.09(1) of the Listing Rules.

The Board wishes to inform the Shareholders about a Lawsuit in Paris involving SOCIETE GUY LAROCHE, a wholly owned subsidiary of the Company.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

This announcement is made by YGM Trading Limited (the "Company") pursuant to Rule 13.09(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Board of Directors of the Company (the "Board") wishes to inform the shareholders of the Company (the "Shareholders") about a lawsuit ("Lawsuit") in Paris involving SOCIETE GUY LAROCHE ("SGL"), a wholly owned subsidiary of the Company, registered under the laws of France.

GRUPPO TESSILE MEDITERRANEO ("GTM") is a company registered under the laws of France. GTM was SGL's former men's wear licensee for Southern Europe and North Africa. On 4 March 2008, the then existing licensing contract (the "Licensing Contract") was early terminated by SGL for reason of breach of contract by GTM on numerous occasions. The Tribunal of Commerce ("*Tribunal de Commerce")* of Paris (the "TDC") first refused the early termination by SGL. However, this judgment was completely overturned by the Court of Appeal of Paris (the "Court of Appeal") and was then upheld by the Supreme Court of Paris (the "Supreme Court"). On 1 October 2008, the Licensing Contract was thus legally terminated by the enforceable judgment of the Court of Appeal.

SGL initiated another civil proceeding in the TDC against GTM in order to claim indemnities for the damage resulting from the breach by GTM of its contractual obligations under the Licensing Contract. GTM alleged that the early termination of the Licensing Contract was harmful to them and counter-claimed for approximately €2.78 million.

On 22 December 2010, the TDC ruled that SGL shall be liable for approximately €2.6 million as indemnities for GTM's loss of gross margin of sales plus a design fee payable of €15,000. SGL filed an appeal against this judgment immediately.

According to the judgment of the TDC, the design fee payable of €15,000 shall be settled by

SGL immediately but the indemnity of approximately €2.6 million is not provisionally enforceable (“*exécution provisoire”)* and shall be pending the judgment of the Court of Appeal.

The Board has been advised by the counsels of SGL that:

1. in view of the judgment of the Court of Appeal and the Supreme Court in the early termination of the Licensing Contract, SGL has a strong case against GTM despite the unfavourable judgment of the TDC;

2. in France, commercial litigation between merchants will be held before the TDC which specialises in commercial litigation. Magistrates of the TDC are lay judges. The Court of Appeal, which is chaired by professional judges, will hear the case completely from the beginning and the previous judgment constitutes no prejudice;

3. the Court of Appeal is not expected to hear this case before 2012; and

4. the indemnity of approximately €2.6 million is not due for payment until the judgment of the Court of Appeal is issued.

Further announcement will be made by the Company in the event that there are further material developments regarding the Lawsuit.

By order of the Board
YGM Trading Limited
Chan Wing Sun, Samuel
Vice-Chairman

Hong Kong, 21 January 2011

As at the date of this announcement, the Board comprises seven executive director, 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 director, namely Mr. Leung Hok Lim, Mr. Lin Keping and Mr. Sze Cho Cheung Michael.