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YGM TRADING LIMITED

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

CONTINUING CONNECTED TRANSACTION

The Board announces that on 25 March 2014, CCIL, an indirect non-wholly owned subsidiary of the Company, entered into the Leather Goods Master Agreement with Goldstone (on behalf of the Goldstone Group) in respect of the purchase of leather goods by CCIL from the Goldstone Group during the period commencing on 1 April 2014 and ending on 31 March 2017.

The Board currently estimates that the annual trading volume of leather goods under the Leather Goods Master Agreement will not exceed the maximum annual cap of HK\$14.3 million, HK\$36.3 million and HK\$44.0 million for the three financial years ending 31 March 2017, respectively.

As Goldstone, through Goldstone Agency, is beneficially interested in 35% of the issued share capital of CCIL, Goldstone is a connected person of the Company for the purpose of the Listing Rules. Accordingly, the Leather Goods Transactions constitute a continuing connected transaction for the Company under the Listing Rules.

As the annual cap in relation to the Leather Goods Transactions represents more than 0.1% but less than 5% of the applicable percentage ratios (as defined in the Listing Rules) of the Company and the Leather Goods Transactions have been and will be conducted on normal commercial terms, the Leather Goods Transactions are only subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules for the Company.

BACKGROUND

The Board announces that on 25 March 2014, CCIL, an indirect non-wholly owned subsidiary of the Company, entered into the Leather Goods Master Agreement with Goldstone (on behalf of the Goldstone Group) in respect of the purchase of leather goods by CCIL from the Goldstone Group during the period commencing on 1 April 2014 and ending on 31 March 2017.

LEATHER GOODS TRANSACTIONS

Details of the Leather Goods Master Agreement and the Leather Goods Transactions are as follows:

Date of the Leather Goods Master Agreement

25 March 2014

Parties

- (1) CCIL
- (2) the Company
- (3) Goldstone (on behalf of the Goldstone Group)

Nature of the Leather Goods Transactions

CCIL may from time to time purchase leather products from the Goldstone Group during the period commencing on 1 April 2014 and ending on 31 March 2017 (both days inclusive).

The purchase price payable by CCIL to the Goldstone Group for the leather goods under the Leather Goods Master Agreement shall be payable in cash within 30 days upon issuance of debit notes.

Pricing Basis and Annual Cap

The Leather Goods Transactions have been and shall continue to be entered into in the ordinary and usual course of business of the Group and on normal commercial terms.

The prices and terms of Leather Goods Transactions shall be determined and agreed between CCIL and the Goldstone Group on an order-by-order basis after arm's length negotiations, taking into account the value and volume of the order to be placed, the type and design of the leather goods to be purchased and any specific requirement relating to the leather goods or the orders.

For the financial year ending 31 March 2014, the annual volume of purchases of leather goods by CCIL from the Goldstone Group is estimated to amount to approximately HK\$4.9 million. The Board currently estimates that the annual trading volume of leather goods under the Leather Goods Master Agreement will not exceed the maximum annual cap of HK\$14.3 million, HK\$36.3 million and HK\$44.0 million for the three financial years ending 31 March 2017, respectively. This estimate was made on the following basis: (i) the projected sales volume of leather goods and cost of sales of leather goods of CCIL for the year ending 31 March 2015; (ii) the expected increases in the orders received by CCIL for leather goods during the three years ending 31 March 2017; and (iii) the assumption that the purchases from the Goldstone Group will constitute 50% of the cost of sales of CCIL.

INFORMATION ABOUT THE GROUP, GOLDSTONE AND THE GOLDSTONE GROUP

The Group is principally engaged in the manufacturing, retail and wholesale of world-renowned apparel and accessories, property investment and provision of security printing and general business forms printing.

CCIL, which is principally engaged in the retail, whole and distribution of leather goods in the Greater China and South East Asia regions, is an indirect non-wholly owned subsidiary of the Company and owned as to 65% by the Group and 35% by Goldstone Agency, a wholly-owned subsidiary of Goldstone.

To the best knowledge, information and belief of the Directors after reasonable enquiries, the Goldstone Group is principally engaged in the production, sales and distribution of leather goods.

REASONS FOR THE LEATHER GOODS TRANSACTIONS

The Leather Goods Transactions provide the Company with stable supplies of quality leather goods for its apparel trading business. The prices and terms of the Leather Goods Transactions under the Leather Goods Master Agreement are and shall be determined after arm's length negotiations between CCIL and the Goldstone Group. Given the experience of the Goldstone Group in the production of leather goods, the Board considers that the Leather Goods Transactions will be beneficial to CCIL and the Group in its leather goods operations.

The directors of the Company (including the independent non-executive Directors) consider that the Leather Goods Transactions have been and will be conducted in the ordinary and usual course of business and on normal commercial terms, negotiated on an arm's length basis, and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As Goldstone, through Goldstone Agency, is beneficially interested in 35% of the issued share capital of CCIL, Goldstone is a connected person of the Company for the purpose of the Listing Rules. Accordingly, the Leather Goods Transactions constitute a continuing connected transaction for the Company under the Listing Rules.

As the annual cap in relation to the Leather Goods Transactions represents more than 0.1% but less than 5% of the applicable percentage ratios (as defined in the Listing Rules) of the Company and the Leather Goods Transactions have been and will be conducted on normal commercial terms, the Leather Goods Transactions are only subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules for the Company.

No Director has a material interest in the transactions contemplated in this announcement. No Director has abstained from the voting on the resolutions of the Board regarding the transactions contemplated in this announcement.

DEFINITIONS

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

“Board”	the board of directors
“Company”	YGM Trading Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed and traded on the Stock Exchange
“CCIL”	Crystal Castle International Limited, a company incorporated in Hong Kong with limited liability and an indirect non-wholly owned subsidiary of the Company
“Directors”	the directors of the Company
“Goldstone”	Goldstone Development Limited, a company incorporated in Hong Kong with limited liability
“Goldstone Agency”	Goldstone Agency (Far East) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Goldstone
“Goldstone Group”	Goldstone and its subsidiaries (including Goldstone Agency) from time to time
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the People's Republic of China
“Leather Goods Master Agreement”	the master agreement dated 25 March 2014 and entered into between CCIL, the Company and Goldstone in respect of the Leather Goods Transactions

“Leather Goods Transactions”	the purchase of leather goods by CCIL from the Goldstone Group on an order-by-order basis and from time to time in accordance with the Leather Goods Agreement, as more particularly described in the section headed “Leather Goods Transactions” in this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 25 March 2014

As at the date of this announcement, 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 four independent non-executive Directors, namely Mr. Leung Hok Lim, Mr. Lin Keping, Mr. Sze Cho Cheung Michael and Mr. Choi Ting Ki.