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YGM TRADING LIMITED

(incorporated in Hong Kong with limited liability)

(Stock Code: 00375)

REVISION OF ANNUAL CAP FOR CONTINUING CONNECTED TRANSACTION

Reference is made to the announcement of the Company dated 25 March 2014 in relation to the Leather Goods Transactions.

Due to a lack of purchase history with the Goldstone Group which prevented us from making an accurate projection when determining the annual caps in the first place, the Company reported that the actual volume of purchases of leather goods by CCIL from the Goldstone Group under the Leather Goods Master Agreement from 1 April 2014 to 31 December 2014 amounts to HK\$14.5 million and has exceeded the original annual cap of HK\$14.3 million.

The Board has resolved to increase the annual cap of the Leather Goods Transactions for the financial year ending 31 March 2015 such that the trading volume of leather goods for the year under the Leather Goods Master Agreement should not exceed the annual cap of HK\$22.0 million. The Board has also resolved that the annual caps for the financial years ending 2016 and 2017 will remain unchanged.

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.

Pursuant to the Listing Rules, the Company has to re-comply with the provisions of Chapter 14A of the Listing Rules in relation to the Leather Goods Transaction due to the revision of the annual caps.

As the annual caps (including the Revised 2015 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.

LEATHER GOODS TRANSACTIONS

Reference is made to the announcement of the Company (the "**Announcement**") dated 25 March 2014 in relation to the Leather Goods Transactions (as defined therein). Unless otherwise defined, all capitalised terms used in this announcement shall have the same meanings as in the Announcement.

As disclosed in the Announcement, 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), a connected person of the Company, 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 to provide the Company with stable supplies of quality leather goods for its apparel and accessories trading business.

The Leather Goods Transactions constitute a continuing connected transaction for the Company under the Listing Rules.

The Directors have been monitoring the Leather Goods Transactions. Due to a lack of purchase history with the Goldstone Group which prevented us from making an accurate projection when determining the annual caps in the first place, the Company reported that the actual volume of purchases of leather goods by CCIL from the Goldstone Group under the Leather Goods Master Agreement from 1 April 2014 to 31 December 2014 amounts to HK\$14.5 million and has exceeded the original annual cap of HK\$14.3 million. The Board has therefore resolved to make appropriate revision to the annual cap for the financial year ending 31 March 2015 in light of the purchase orders of leather goods made by CCIL to Goldstone Group to be delivered in the three months ending 31 March 2015.

REVISION OF ANNUAL CAP

The Board has resolved to increase the annual cap of the Leather Goods Transactions for the financial year ending 31 March 2015 such that the trading volume of leather goods for the year under the Leather Goods Master Agreement should not exceed the annual cap of HK\$22.0 million (the “**Revised 2015 Annual Cap**”). The Board has also resolved that the annual caps for the financial years ending 2016 and 2017 will remain unchanged.

The Revised 2015 Annual Cap was determined on the following basis: (i) the unaudited actual volume of purchases of leather goods by CCIL from the Goldstone Group under the Leather Goods Master Agreement as revealed from the latest available management accounts of CCIL of HK\$14.5 million; and (ii) the projected sales volume of leather goods and cost of sales of leather goods of CCIL for the year ending 31 March 2015, as revised in light of the purchase orders of leather goods made by CCIL to Goldstone Group to be delivered in the three months ending 31 March 2015.

Save for the Revised 2015 Annual Cap, all the other terms and conditions of the Leather Goods Master Agreement remain unchanged.

The Company will endeavour to supervise the trading volume of leather goods under the Leather Goods Master Agreement against the relevant annual caps in the future to ensure that necessary measures and appropriate actions for the compliance with applicable requirements under the Listing Rules will be promptly taken.

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

As disclosed in the Announcement, the Leather Goods Transactions provide the Company with stable supplies of quality leather goods for its apparel and accessories trading business. The prices and terms of the Leather Goods Transactions under the Leather Goods Master Agreement (under the Revised 2015 Annual Cap) 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 (under the Revised 2015 Annual Cap) 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 (under the Revised 2015 Annual Cap) have been and will continue to 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.

Pursuant to the Listing Rules, the Company has to re-comply with the provisions of Chapter 14A of the Listing Rules in relation to the Leather Goods Transactions due to the revisions of the annual caps.

As the annual caps (including the Revised 2015 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 continue to 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.

By Order of the Board of Directors
YGM TRADING LIMITED
Chan Wing Sun, Samuel
Vice Chairman

Hong Kong, 13 February 2015

As at the date of this announcement, the Board comprises seven executive directors, namely Mr. Chan Wing Fui Peter, Mr. Chan Wing Sun Samuel, Madam Chan Suk Ling Shirley, Mr. Fu Sing Yam William, Mr. Chan Wing Kee, Mr. Chan Wing To and Mr. Andrew Chan; and four independent non-executive Directors, namely Mr. Leung Hok Lim, Mr. Lin Keping, Mr. Sze Cho Cheung Michael and Mr. Choi Ting Ki.