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YGM TRADING LIMITED

(incorporated in Hong Kong with limited liability)

(Stock Code: 00375)

CONTINUING CONNECTED TRANSACTION PURCHASE OF LEATHER GOODS FROM GOLDSTONE GROUP

The Board announces that on 24 March 2017, 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 2017 and ending on 31 March 2020.

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\$20.0 million, HK\$25.0 million and HK\$30.0 million for the three financial years ending 31 March 2020, 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 at the subsidiary level 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 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 24 March 2017, 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 2017 and ending on 31 March 2020.

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

24 March 2017

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 2017 and ending on 31 March 2020 (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 scope of work will include the design, sourcing of raw materials and manufacturing of leather goods in accordance with the specifications stipulated in each order. The Goldstone Group will assess the order placed by CCIL and prepare a preliminary quotation, taking into account the volume of the order, the design and specifications of the leather goods, the estimated cost of production, the workmanship required, its production capacity during the period and its recent quotations to other independent customers for similar leather goods.

CCIL will compare the Goldstone Group's quotations with the purchase prices of similar leather goods in previous seasons from independent third parties (taking into account other relevant factors such as inflation), as well as the prevailing market prices for similar leather goods based on information available in the market.

After assessing the overall work required for manufacturing the leather goods under the order and comparing with other quotations and prevailing market prices, CCIL and the Goldstone Group will determine the final price after arm's length negotiations. The orders will be made on normal commercial terms which shall be no less favorable than those terms available to independent third parties.

For the three financial years ending 31 March 2017, the annual volume of purchases of leather goods by CCIL from the Goldstone Group amounted/would amount to approximately HK\$17.9 million, HK\$11.9 million and HK\$18.5 million respectively.

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\$20.0 million, HK\$25.0 million and HK\$30.0 million for the three financial years ending 31 March 2020, respectively. This estimate was made on the following basis: (i) the historical or projected sales volume of leather goods and cost of sales of leather goods of CCIL for the three years ending 31 March 2017; (ii) the expected trend in the volume of the orders received by CCIL for leather goods during the three years ending 31 March 2020; and (iii) the assumption that the purchases from the Goldstone Group will constitute 50% of the cost of sales of CCIL.

INTERNAL CONTROLS

To ensure the Leather Goods Transactions are and will be conducted on normal commercial terms, the Group has adopted the following internal control procedures:

- (i) the Company's finance, merchandising and sales departments are responsible for collecting data and statistics of the Leather Goods Transactions on a monthly basis to ensure the annual caps approved are not exceeded;
- (ii) the Company's merchandising department will compare the Goldstone Group's quotations with the purchase prices of similar leather goods in previous seasons from independent third parties (taking into account other relevant factors such as inflation) to ensure that the purchase price will be comparable to the prevailing market price;
- (iii) the Company's financial controller will regularly review the terms of the Leather Goods Transactions to ensure that the fees charged for such transactions will reflect the Group's pricing policies;
- (iv) the Company's merchandising department will review annually the pricing policies of the Leather Goods Transactions to ensure that they are charged on the same bases and rates for similar products offered by independent third parties;

- (v) the Company's external auditors will report by issuing a letter to the Board every year in relation to the pricing policies and annual caps of the Leather Goods Transactions conducted during the preceding financial year pursuant to the Listing Rules; and
- (vi) the independent non-executive Directors will conduct an annual review with respect to the Leather Goods Transactions conducted during the preceding financial year and confirm on the transactional amounts and terms of the continuing connected transactions in the annual report of the Company pursuant to the requirements under the Listing Rules, and to ensure that the transactions are entered into on normal commercial terms, are fair and reasonable, and are carried out pursuant to the terms of the Leather Goods Master Agreement.

The Directors (including the independent non-executive Directors) believe that the above measures will ensure that the Leather Goods Transactions will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders.

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 at the subsidiary level 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 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 24 March 2017 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
Chairman

Hong Kong, 24 March 2017

As at the date of this announcement, the Board comprises seven executive Directors, namely Mr. Chan Wing Sun, Samuel, Madam Chan Suk Ling, Shirley, Mr. Fu Sing Yam, William, Mr. Andrew Chan, Mr. Chan Wing Fui, Peter, 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.