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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, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in YangtzeKiang Garment Limited (the “**Company**”), you should at once hand this circular and the accompanying proxy form to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or the transfer was effected for transmission to the purchaser or transferee.

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長江製衣有限公司
YANGTZEKIANG GARMENT LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code: 00294)

CONTINUING CONNECTED TRANSACTIONS

**GARMENT SALES BY YANGTZEKIANG GARMENT GROUP TO
YGM TRADING GROUP**

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

Nuada Limited
Corporate Finance Advisory

A letter from the Independent Board Committee is set out on page 8 of this circular.

A letter from Nuada containing its advice to the Independent Board Committee and Independent Shareholders is set out on pages 9 to 14 of this circular.

A notice convening the EGM of the Company to be held at 22 Tai Yau Street, San Po Kong, Kowloon, Hong Kong on 9 May 2011 at 11:00 a.m. is set out on page 20 of this circular. Whether or not you intend to be present and vote at the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company’s registered office at 22 Tai Yau Street, San Po Kong, Kowloon, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM. The completion of a form of proxy will not preclude you from attending and voting at the EGM in person should you so wish.

15 April 2011

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DEFINITIONS

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

“Board”	the board of Directors;
“Chan Directors”	Messrs. Chan Sui Kau, Chan Wing Fui Peter, Chan Wing Kee, Chan Wing Sun Samuel, Chan Wing To and Madam Chan Suk Ling Shirley;
“Chan Family”	Chan Directors and their associates (as defined under the Listing Rules);
“Companies”	collectively, YangtzeKiang Garment and YGM Trading;
“Connected Groups”	YangtzeKiang Garment Group and YGM Trading Group;
“Directors”	the directors of the Company;
“EGM”	extraordinary general meeting of the Company to be held at 22 Tai Yau Street, San Po Kong, Kowloon, Hong Kong on 9 May 2011 at 11:00 a.m., notice of which is set out on page 20 of this circular;
“Garment Sales”	the transaction in respect of garment sales by YangtzeKiang Garment Group to YGM Trading Group as described under the section headed “YangtzeKiang Garment Non-exempt Continuing Connected Transactions” in this circular;
“Garment Sales Master Agreement”	the master agreement in respect of Garment Sales by YangtzeKiang Garment Group to YGM Trading Group dated 24 March 2011 and entered into between YangtzeKiang Garment and YGM Trading, as described under the section headed “YangtzeKiang Garment Non-exempt Continuing Connected Transactions” in this circular;
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Board Committee”	an independent committee of the Board comprising Messrs. Leung Hok Lim, Lin Keping and Sze Cho Cheung Michael;
“Independent Shareholders ”	the shareholders of YangtzeKiang Garment, other than the Chan Family and its associates (as defined under the Listing Rules), and those who are required to abstain from voting under the Listing Rules (if any);

DEFINITIONS

“Latest Practicable Date”	12 April 2011, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information in this circular;
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange;
“Nuada”	Nuada Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shareholders”	holders of the Shares in the Company;
“Shares”	ordinary shares of HK\$0.50 each in the share capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Yangtzekiang Garment” or the “Company”	Yangtzekiang Garment Limited, a company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange;
“Yangtzekiang Garment Group” or the “Group”	Yangtzekiang Garment and its subsidiaries;
“Yangtzekiang Garment Non-exempt Continuing Connected Transactions”	Garment Sales by Yangtzekiang Garment Group to YGM Trading Group;
“YGM Trading”	YGM Trading Limited, a company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange;
“YGM Trading Group”	YGM Trading and its subsidiaries; and
“%”	per cent.

LETTER FROM THE BOARD

長江製衣有限公司 YANGTZEKIANG GARMENT LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00294)

Executive Directors:

Chan Sui Kau (*Chairman*)
Chan Wing Fui, Peter (*Vice Chairman*)
Chan Wing Kee (*Managing Director*)
Chan Wing To (*Deputy Managing Director*)
Chan Suk Man
Chan Wing Sun, Samuel
Chan Suk Ling, Shirley
So Ying Woon, Alan

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

15 April 2011

To the Shareholders of the Company

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

GARMENT SALES BY YANGTZEKIANG GARMENT GROUP TO YGM TRADING GROUP

BACKGROUND

The Board, together with the board of directors of YGM Trading, announced on 24 March 2011 that Yangtzekiang Garment Group and YGM Trading Group have been carrying out certain transactions in relation to sales and purchases of garment products and licence arrangement. These transactions constitute continuing connected transactions for the Company under the Listing Rules. Details of these transactions, including the Yangtzekiang Garment Non-exempt Continuing Connected Transactions, have been disclosed.

The purpose of this circular is to provide you with further information relating to the Yangtzekiang Garment Non-exempt Continuing Connected Transactions, to set out the recommendation of Nuada and the advice of the Independent Board Committee in relation to the Yangtzekiang Garment Non-exempt Continuing Connected Transactions and the related annual caps, and to give you notice of the EGM at which your approval of the Yangtzekiang Garment Non-exempt Continuing Connected Transactions and the related annual caps will be sought.

LETTER FROM THE BOARD

YANGTZEKIANG GARMENT NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

As disclosed in the joint announcement of the Companies dated 6 March 2008, YangtzeKiang Garment and YGM Trading entered into a master agreement in respect of the Garment Sales on 6 March 2008. Since such master agreement expired on 31 March 2011, the Companies have on 24 March 2011 entered into a new master agreement in respect of the YangtzeKiang Garment Non-exempt Continuing Connected Transactions. In relation to YangtzeKiang Garment, the YangtzeKiang Garment Non-exempt Continuing Connected Transactions are subject to annual review, reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Date of Transaction

24 March 2011

Parties

- (1) YangtzeKiang Garment
- (2) YGM Trading

Nature of Transaction

YangtzeKiang Garment Group will sell garment products (such as knitwears) ("Type B Garment Products") to YGM Trading Group from time to time for trading purposes during the 3-year period ending 31 March 2014.

Pricing Basis

For the three financial years ending 31 March 2011, the annual trading volume of Type B Garment Products amounted/would amount to approximately HK\$44.1 million, HK\$29.1 million and HK\$34 million, respectively.

These garment sales will be entered into in the ordinary and usual course of business of YangtzeKiang Garment Group, and on normal commercial terms and on terms no less favourable than those available to independent third parties.

The prices and terms of these garment sales will be agreed between the Connected Groups on an order-by-order basis after arm's length negotiations, taking into account the value and volume of the order, the type and design of the products and any specific requirements under the order.

The Companies currently estimate that the annual trading volume of garment products will not exceed the maximum annual cap of HK\$45 million for each of the three financial years ending 31 March 2014 respectively ("**Garment Sales Caps**"). This estimate was made based on (i) the value of garment sales and purchases in the three financial years ending 31 March 2011, being approximately HK\$44.1 million, HK\$29.1 million and 34 million respectively; (ii) orders for Type B Garment Products currently under negotiation between YGM Trading Group and existing and new third party customers; and (iii) the estimated market demand for garment products. These sums will be payable in cash by YGM Trading Group to YangtzeKiang Garment Group within 30 days upon issuance of debit notes.

LETTER FROM THE BOARD

In relation to Yangtzekiang Garment, as the applicable percentage ratios on an annual basis represent more than 5% for Yangtzekiang Garment and the annual trading volume exceeds HK\$10,000,000, these transactions are subject to annual review, reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pending the holding of the EGM and obtaining of the Independent Shareholders' approval by Yangtzekiang Garment, the Yangtzekiang Garment Group will continue to carry out the Yangtzekiang Garment Non-exempt Continuing Connected Transactions with the YGM Trading Group on the terms set out above after 31 March 2011, being the date of expiration of the previous master agreement, provided that prior to Yangtzekiang Garment having obtained the requisite Independent Shareholders' approval, the maximum amount of the transactions under the Yangtzekiang Garment Non-exempt Continuing Connected Transactions shall constitute either (1) less than 5% of the applicable percentage ratios under the Listing Rules; or (2) less than 25% of the applicable percentage ratios under the Listing Rules and HK\$10 million. Under Rule 14A.34 of the Listing Rules, where the applicable percentage ratios on an annual basis represent less than 5%; or less than 25% and the annual consideration is less than HK\$10 million, and the transactions are conducted on normal commercial terms, these transactions are only subject to annual review, reporting and announcement requirements and do not require the approval of the Independent Shareholders of Yangtzekiang Garment. In the event the Independent Shareholders do not approve the Yangtzekiang Garment Non-exempt Continuing Connected Transactions, the Yangtzekiang Garment Group will discontinue further Yangtzekiang Garment Non-exempt Continuing Connected Transactions with the YGM Trading Group.

REASONS FOR AND BENEFITS OF THE YANGTZEKIANG GARMENT NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The Yangtzekiang Garment Non-exempt Continuing Connected Transactions provide the Company with additional purchasers of garment products. The prices and terms of the Yangtzekiang Garment Non-exempt Continuing Connected Transactions have been and will be agreed on an order-by-order basis after arm's length negotiations with the relevant counterparties taking into account the value and volume of the order, the type and design of the products and any specific requirements under the order. Given the well established relationship between the Companies, the Board considers that the continuation of the Yangtzekiang Garment Non-exempt Continuing Connected Transactions will be beneficial to the Yangtzekiang Garment Group.

The Directors (including the independent non-executive directors) consider that the Yangtzekiang Garment Non-exempt Continuing Connected Transactions will be conducted in 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 the Shareholders as a whole. Having considered the factors set out above, the Directors (including the independent non-executive directors) also consider that the Garment Sales Caps are fair and reasonable.

The 6 Chan Directors, whom are members of the Chan Family, are directors of both Companies, and the 3 independent non-executive directors of Yangtzekiang Garment are also independent non-executive directors of YGM Trading. Subject as aforesaid, no Director (other than the Chan Directors) has a material interest in the transactions contemplated in this circular. Other than the Chan Directors, whom have abstained from voting on the board resolutions regarding the transactions contemplated in this circular, no Director has abstained from such voting.

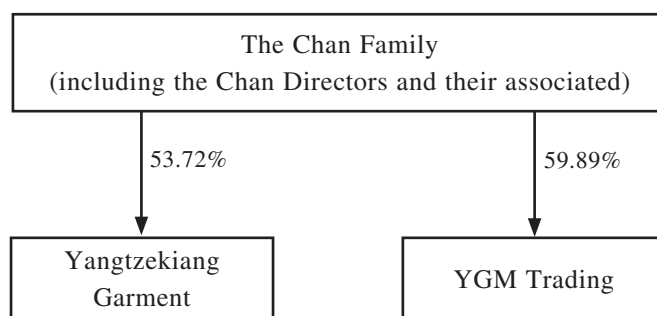
LETTER FROM THE BOARD

PRINCIPAL BUSINESS OF YGM TRADING GROUP, YANGTZEKIANG GARMENT GROUP AND CONNECTION AMONG THE RELEVANT PARTIES

The principal businesses of Yangtzekiang Garment Group are manufacturing and sale of garment products and textiles and provision of processing services.

The principal businesses of YGM Trading Group are manufacturing, retail and wholesale of world-renowned apparel and accessories, property investment and printing.

The Chan Family's direct and indirect equity interests in each of Yangtzekiang Garment and YGM Trading are summarised as follows:



As the Chan Family is beneficially interested in shares representing approximately 53.72% and approximately 59.89% of the issued share capital of Yangtzekiang Garment and YGM Trading, respectively, YGM Trading is a connected person of the Company for the purpose of the Listing Rules.

EXTRAORDINARY GENERAL MEETING

A notice of the EGM to be held at 22 Tai Yau Street, San Po Kong, Kowloon, Hong Kong on 9 May 2011 at 11:00 a.m. is set out on page 20 of this circular. At the EGM, an ordinary resolution will be proposed to approve the Yangtzekiang Garment Non-exempt Continuing Connected Transactions and the related annual caps.

A form of proxy for use at the EGM is enclosed. Whether or not you intend to be present and vote at the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's registered office at 22 Tai Yau Street, San Po Kong, Kowloon, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM. The completion of a form of proxy will not preclude you from attending and voting at the EGM in person should you so wish.

In accordance with the Listing Rules, the Chan Family and its associates (as defined under the Listing Rules) will abstain from voting on the resolution to be proposed at the EGM. As at the Latest Practicable Date, the Chan Family together with his associates held an approximately 53.72% interest in the Company (i.e. 113,003,256 Shares). Insofar as Yangtzekiang Garment is aware, as at the Latest Practicable Date, apart from the Chan Family and its associates, no other Shareholder of Yangtzekiang Garment is required to abstain from voting in respect of the Yangtzekiang Garment Non-exempt Continuing Connected Transactions in the EGM under the Listing Rules.

LETTER FROM THE BOARD

RECOMMENDATIONS

The Board considers that the terms of the YangtzeKiang Garment Non-exempt Continuing Connected Transactions and the related annual caps are fair and reasonable and the YangtzeKiang Garment Non-exempt Continuing Connected Transactions and the related annual caps are in the interests of the Company and its Shareholders as a whole and recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM.

PROCEDURES FOR DEMANDING A POLL BY SHAREHOLDERS

As at the Latest Practicable Date, pursuant to Article 75 of the Articles of Association of the Company, 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 (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (iii) by any member or members present in person (or, in the case of a member being a corporation, by its duly authorised 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 (or, in the case of a member being a corporation, by its duly authorised 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.

ADDITIONAL INFORMATION

The Independent Board Committee, comprising three Independent Non-executive Directors, namely Messrs. Leung Hok Lim, Lin Keping and Sze Cho Cheung Michael, has been formed to advise the Independent Shareholders on how they should vote in relation to the YangtzeKiang Garment Non-exempt Continuing Connected Transactions and the related annual caps. Nuada has been retained to advise the Independent Board Committee and the Independent Shareholders on the YangtzeKiang Garment Non-exempt Continuing Connected Transactions and the related annual caps.

Your attention is drawn to the letter from the Independent Board Committee set out on page 8 of this circular and the letter of advice received from Nuada on pages 9 to 14 of this circular.

Your attention is also drawn to the general information set out in the appendix to this circular.

Yours faithfully,
By order of the Board
YangtzeKiang Garment Limited
Chan Sui Kau
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

長江製衣有限公司
YANGTZEKIANG GARMENT LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock Code: 00294)

15 April 2011

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

**GARMENT SALES BY YANGTZEKIANG GARMENT GROUP TO
YGM TRADING GROUP**

We refer to the circular dated 15 April 2011 of the Company (the “**Circular**”) of which this letter forms part. Terms defined in the Circular bear the same meanings herein unless the context otherwise requires.

We have been appointed by the Board to form the Independent Board Committee to consider the terms of the YangtzeKiang Garment Non-exempt Continuing Connected Transactions and the related annual caps and to advise the Independent Shareholders in connection therewith. Nuada has been appointed to advise the Independent Board Committee and the Independent Shareholders in this respect.

We wish to draw your attention to the letter from the Board set out on pages 3 to 7 of the Circular which contains, among other things, information about the YangtzeKiang Garment Non-exempt Continuing Connected Transactions and the related annual caps, and to the letter of advice from Nuada set out on pages 9 to 14 of the Circular.

Having taken into account the terms of the YangtzeKiang Garment Non-exempt Continuing Connected Transactions and the related annual caps and the advice of Nuada, we consider the terms of the YangtzeKiang Garment Non-exempt Continuing Connected Transactions and the related annual caps to be fair and reasonable and in the interests of the Company and the Shareholders as a whole, and recommend the Independent Shareholders to vote in favour of the resolution as set out in the notice of the EGM to approve the YangtzeKiang Garment Non-exempt Continuing Connected Transactions and the related annual caps.

Yours faithfully,
For and on behalf of

Independent Board Committee

Leung Hok Lim
*Independent Non-executive
Director*

Lin Keping
*Independent Non-executive
Director*

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

LETTER FROM NUADA

15 April 2011

Nuada Limited

Corporate Finance Advisory

17th Floor, BLINK, 111 Bonham Strand
Sheung Wan, Hong Kong
香港上環文咸東街111號
BLINK17字樓

*To the Independent Board Committee
and the Independent Shareholders
of Yangtzekiang Garment Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Yangtzekiang Garment Non-exempt Continuing Connected Transactions, details of which are set out in the section headed “Letter from the Board” (the “Letter”) in the circular of Yangtzekiang Garment dated 15 April 2011 (the “Circular”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

Pursuant to the joint announcement of the Companies dated 6 March 2008, Yangtzekiang Garment and YGM Trading have entered into a master agreement in respect of the Garment Sales. Since the master agreement expired on 31 March 2011, the Companies have entered into the Garment Sales Master Agreement in respect of the Yangtzekiang Garment Non-exempt Continuing Connected Transactions on 24 March 2011. As Chan Family is beneficially interested in shares representing approximately 53.72% and approximately 59.89% of the issued share capital of Yangtzekiang Garment and YGM Trading respectively, each of Yangtzekiang Garment and YGM Trading is a connected person of the other for the purpose of the Listing Rules. Yangtzekiang Garment Group and YGM Trading Group have been carrying out certain transactions in relation to sales and purchases of garment products and licence arrangement. These transactions constitute continuing connected transactions for Yangtzekiang Garment and/or YGM Trading under the Listing Rules. In relation to Yangtzekiang Garment, the Yangtzekiang Garment Non-exempt Continuing Connected Transactions are subject to annual review, reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The Chan Family and its associates (as defined under the Listing Rules) shall abstain from voting at the EGM of Yangtzekiang Garment. The 6 Chan Directors, whom are members of the Chan Family, are directors of both Companies, and the 3 independent non-executive directors of Yangtzekiang Garment are also independent non-executive directors of YGM Trading. Subject as aforesaid, no director (other than the Chan Directors) has a material interest in the Yangtzekiang Garment Non-exempt Continuing Connected Transactions. Other than the Chan Directors, whom have abstained from voting on the board resolutions regarding the Yangtzekiang Garment Non-exempt Continuing Connected Transactions, no director has abstained from such voting.

LETTER FROM NUADA

The Independent Board Committee which comprises Mr. Leung Hok Lim, Mr. Lin Keping and Mr. Sze Cho Cheung Michael, all being the independent non-executive Directors, has been established to (i) advise the Independent Shareholders as to whether the terms of the YangtzeKiang Garment Non-exempt Continuing Connected Transactions are fair and reasonable and whether the entering into of the Garment Sales Master Agreement in respect of the Continuing Connected Transactions is in the interests of YangtzeKiang Garment and the Independent Shareholders as a whole; and (ii) advise the Independent Shareholders on how to vote in respect of the YangtzeKiang Garment Non-exempt Continuing Connected Transactions and the related annual caps at the EGM.

Our role as the independent financial adviser is to (i) give our independent opinion to the Independent Board Committee and the Independent Shareholders as to whether the terms of the YangtzeKiang Garment Non-exempt Continuing Connected Transactions are fair and reasonable and whether the entering into of the Garment Sales Master Agreement in respect of the YangtzeKiang Garment Non-exempt Continuing Connected Transactions is in the interests of YangtzeKiang Garment and the Independent Shareholders as a whole; and (ii) advise the Independent Shareholders on how to vote in respect of the YangtzeKiang Garment Non-exempt Continuing Connected Transactions and the related annual caps at the EGM.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information, opinion and representations contained or referred to in the Circular and the information, opinion and representations provided to us by the management of YangtzeKiang Garment and the Directors. 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 management of YangtzeKiang Garment and the Directors, for which they are solely and wholly responsible, were true, accurate and complete at the time when they were made and continue to be so as at the date of the EGM.

Accordingly, we have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and representations contained in the Circular, or the reasonableness of the opinions expressed by the management of YangtzeKiang Garment and the Directors provided to us. The Directors collectively and individually accept full responsibility for the accuracy of the information 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 the omission of which would make any statement in the Circular misleading. Furthermore, we relied on YangtzeKiang Garment that it has provided us with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have relied on such information and opinions but have not, however, conducted any independent in-depth investigation into the business, financial conditions and affairs or the future prospects of the Group.

LETTER FROM NUADA

PRINCIPAL FACTORS AND REASONS CONSIDERED

In assessing the entering into of the Garment Sales Master Agreement in respect of the Yangtzekiang Garment Non-exempt Continuing Connected Transactions and the relevant annual caps and in giving our recommendations to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors and reasons:

1. Background and reasons for the Yangtzekiang Garment Non-exempt Continuing Connected Transactions

The Yangtzekiang Garment Group is principally engaged in manufacturing and sale of garment products and textiles and provision of processing services. The principal businesses of YGM Trading Group are manufacturing, retail and wholesale of world-renowned apparel and accessories, property investment and printing.

The Yangtzekiang Garment Group and YGM Trading Group have been carrying out certain transactions from time to time in relation to sales and purchases of garment products on an order-by-order basis after arm's length negotiations between them, taking into account the value and volume of the order, the type and design of the products and any specific requirements under the order and on normal commercial terms and in the ordinary course of business of the Group.

Reference is made to the joint announcements of the Companies dated 11 August 2005 and 6 March 2008 in relation to, amongst others, entering into the agreements dated 3 August 2005 and 6 March 2008 respectively by the Companies in respect of the Garment Sales by Yangtzekiang Garment Group to YGM Trading Group. Since the master agreement which had been entered on 6 March 2008 expired on 31 March 2011, as required under the Listing Rules, the Companies have on 24 March 2011 entered into the Garment Sales Master Agreement for the Yangtzekiang Garment Non-exempt Continuing Connected Transactions. Pursuant to the Garment Sales Master Agreement, Yangtzekiang Garment Group will sell Type B Garment Products (such as knitwears) to YGM Trading Group from time to time for trading purposes during the 3-year period ending 31 March 2014.

According to the Yangtzekiang Garment's circulars dated 1 September 2005 and 17 March 2008, Yangtzekiang Garment has obtained a number of waivers in respect of the Yangtzekiang Garment Non-exempt Continuing Connected Transaction since 28 September 2000 from the Stock Exchange.

As advised by the Directors, the Yangtzekiang Garment Non-exempt Continuing Connected Transactions provide the Companies with additional suppliers or purchasers (as the case may be) of garment products. The garment sales and purchases pursuant to the Garment Sales Master Agreement will be entered into in the ordinary and usual course of business of Yangtzekiang Garment Group and YGM Trading Group, respectively, and on normal commercial terms and on terms no less favourable than those available to or from independent third parties. The prices and terms of the garment sales and purchases will be agreed between the Connected Groups on an order-by-order basis after arm's length negotiations, taking into account the value and volume of the order, the type and design of the products and any specific requirements under the order. Given the well established relationship between the Companies, the Board considers that the continuation of the Yangtzekiang Garment Non-exempt Continuing Connected Transactions will be beneficial to Yangtzekiang Garment Group.

LETTER FROM NUADA

2. Principal terms of the Garment Sales Master Agreement

Pursuant to the Garment Sales Master Agreement, YangtzeKiang Garment Group will sell Type B Garment Products (such as knitweares) to YGM Trading Group from time to time for trading purposes during the 3-year period ending 31 March 2014. The prices and the terms of these garment sales will be agreed between the Connected Groups on an order-by-order basis after arm's length negotiations, taking into account the value and volume of the order, the type and design of the products and any specific requirements under the order.

We have reviewed the sales orders and related invoices of (i) the Garment Sales by YangtzeKiang Garment Group to YGM Trading Group; and (ii) other transactions entered into between YangtzeKiang Garment Group and other independent third party customers who have purchased similar products. We have reviewed the gross profit margin and noted that the gross profit margins from the Garment Sales by YangtzeKiang Garment Group to YGM Trading Group are comparable to those obtained from independent third party customers as reviewed by us. In addition, we also noted that the principal terms of the Garment Sales by YangtzeKiang Garment Group to YGM Trading Group including the basis of determining the prices are comparable to those to the independent third party customers. We consider that the sales under the Garment Sales by YangtzeKiang Garment Group to YGM Trading Group are no more favourable to YGM Trading Group than those sales to the independent third party customers of YangtzeKiang Garment Group.

We noticed that YangtzeKiang Garment Group currently offers a payment term to YGM Trading Group with a term of payment of 30 days after the shipments, which is within the range of those offered to independent third party customers in the sales orders and related invoices as reviewed by us and we hence consider this as fair and reasonable so far as the Independent Shareholders are concerned.

By considering that (i) the Garment Sales by YangtzeKiang Garment Group to YGM Trading Group have been and will continue be entered into in the ordinary and usual course of business of YangtzeKiang Garment Group and on normal commercial terms; (ii) the gross profit margins of the Garment Sales by YangtzeKiang Garment Group to YGM Trading Group are comparable to those obtained from independent third party customers; (iii) the settlement days offered to YGM Trading Group are within the range of those offered to independent third party customers; and (iv) the well established relationship between the Companies, the Companies can save the cost of searching other reliable suppliers and purchasers, efforts in negotiating new sales order and minimise the credit risk in collecting account receivables, we consider that the terms of the Garment Sales Master Agreement are fair and reasonable and the entering into of the Garment Sales Master Agreement is in the interests of YangtzeKiang Garment and the Independent Shareholders as a whole.

LETTER FROM NUADA

3. Proposed annual caps

For each of the financial year ended 31 March 2009, 2010 and 2011, the annual trading volume of the Type B Garment Products by Yangtzekiang Garment Group to YGM Trading Group pursuant to the existing master agreement are as follows:

	For the year ended 31 March 2009	For the year ended 31 March 2010	For the year ended 31 March 2011
Type B Garment Products by Yangtzekiang Garment Group to YGM Trading Group	Approximately HK\$44.1 million	Approximately HK\$29.1 million	Approximately HK\$ 34 million

The Companies currently estimate that the annual trading volume of garment products will not exceed the Garment Sales Caps of HK\$45 million for each of the three financial years ending 31 March 2014 respectively.

We have reviewed and discussed with the Directors on the determination of the Garment Sales Caps. The Directors have confirmed that the determination of the Garment Sales Caps of HK\$45 million for each of the three financial years ended 31 March 2014 is a result of (i) the value of garment sales and purchases in the three financial years ending 31 March 2011, being approximately HK\$44.1 million, HK\$29.1 million and HK\$34 million respectively; (ii) value of orders for Type B Garment Products of the confirmed orders between Yangtzekiang Garment Group and YGM Trading Group; (iii) value of orders for Type B Garment Products of additional orders currently under negotiation between Yangtzekiang Garment Group and YGM Trading Group; and (iv) the expected growth rate of transaction amount for the coming years after considering the market situation of retail business and the sales orders under negotiation. On the other hand, as advised by the management of Yangtzekiang Garment, the transaction amounts for the year ended 31 March 2010 and 2011 are specifically lower than previous years due to the weak economic situation. The Directors expect the transaction amounts in the coming years will increase and they consider the Garment Sales Caps of HK\$45 million is arrived at a fair and reasonable basis.

By entering into the Garment Sales Master Agreement, Yangtzekiang Garment Group is able to continue to leverage on the existing established wholesale and retail network of YGM Trading Group and secure a recurring stream of revenue to Yangtzekiang Garment Group. In addition, given the well established relationship between the Companies and the fact that the Chan Family is the controlling shareholder of the Companies, the entering into of the Garment Sales Master Agreement can help the Companies to minimise the marketing cost, negotiation cost and credit risk.

Based on (i) our discussion with the Directors in relation to the determination of the Garment Sales Caps; and (ii) the benefits to the Companies mentioned above, we consider that the Garment Sales Caps of HK\$45 million for each of the three financial years ending 31 March 2014 have been arrived with an acceptable basis which is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Independent Shareholders and Yangtzekiang Garment as a whole.

LETTER FROM NUADA

RECOMMENDATION

Taking into account the factors and reasons as mentioned above, which include (i) background and reasons for the YangtzeKiang Garment Non-exempt Continuing Connected Transactions; (ii) principal terms of the Garment Sales Master Agreement; and (iii) proposed annual caps, we consider the entering into of the Garment Sales Master Agreement is on normal commercial terms, in the ordinary and usual course of business, and is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Independent Shareholders as a whole. We would advise the Independent Shareholders to, and we would advise the Independent Board Committee to recommend to the Independent Shareholders to, vote in favour of the resolution to approve the YangtzeKiang Garment Non-exempt Continuing Connected Transactions and the related annual caps at the EGM.

Yours faithfully,
For and on behalf of
Nuada Limited
Kevin Chan
Director

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

(A) Interests of Directors and chief executive

As at the Latest Practicable Date, the interests or short positions of each Director and chief executive of the Company in the Shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) 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 are taken or deemed to have under such provision of the SFO); or (b) were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or (c) were required pursuant to the Model Code for Securities Transaction by Directors of Listed Companies (the “Model Code”) to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Number of Shares			
	Personal interests	Family interests	Corporate interest	Other interests
Chan Sui Kau	4,324,696	3,999,354	5,611,230	(i)
Chan Wing Fui, Peter	486,102	8,367,130	–	(i) & (ii)
Chan Wing Kee	8,589,624	208,356	–	(i) & (ii) & (iii)
Chan Wing To	9,762,054	–	–	(i) & (ii) & (iii)
Chan Wing Sun, Samuel	6,089,244	250,000	3,293,080	(i) & (ii)
Chan Suk Ling, Shirley	4,369,816	24,000	–	(i) & (ii)
Chan Suk Man	3,355,442	–	–	(i) & (ii) & (iii)
So Ying Woon, Alan	12,000	–	–	–

Notes:

- (i) 48,032,240 shares of the Company were held by Chan Family Investment Corporation Ltd. (which is owned by Messrs Chan Sui Kau, Chan Wing Fui Peter, Chan Wing Kee, Chan Wing To, Chan Wing Sun Samuel, Madam Chan Suk Ling Shirley, Madam Chan Suk Man and other members of the Chan Family) and its subsidiaries.
- (ii) 1,577,388 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 To, Chan Wing Sun Samuel, Madam Chan Suk Ling Shirley, Madam Chan Suk Man and other members of the Chan Family.
- (iii) 2,383,500 shares of the Company were held by Super Team International Limited which is indirectly owned by Messrs. Chan Wing Kee, Chan Wing To, Madam Chan Suk Man and other members of the Chan Family.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company were interested, or were deemed to be interested in the long and short positions in the Shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) 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 are taken or deemed to have under such provision of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

- (B) Other than the continuing connected transactions as contemplated under the announcement of the Company dated 24 March 2011, as at the Latest Practicable Date, none of the Directors has any direct or indirect interest in any assets which have been, since 31 March 2010 (being the date to which the latest published audited consolidated financial statements of the Company were made up), acquired or disposed of by or leased to any member of Yangtzekiang Garment Group, or which are proposed to be acquired or disposed of by or leased to any member of Yangtzekiang Garment Group;
- (C) Save as disclosed herein, as at the Latest Practicable Date, none of the Directors are materially interested in any contract or arrangement which was significant in relation to the business of Yangtzekiang Garment Group taken as a whole.
- (D) **Substantial Shareholdings**

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the following persons (save as disclosed in the paragraph headed “(A)” above), had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provision of the Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of other members of the Yangtzekiang Garment Group:

– Long position in Shares

Name	Number of Shares			Approximate percentage of the issued share capital
	Beneficial owner	Corporate interest	Other interests	
Chan Family Investment Corporation Ltd.	39,750,734	8,281,506	–	22.83%

Note: Chan Family Investment Corporation Ltd. is owned by Messrs Chan Sui Kau, Chan Wing Fui Peter, Chan Wing Kee, Chan Wing To, Chan Wing Sun Samuel, Madam Chan Suk Ling Shirley, Madam Chan Suk Man and other members of the Chan Family.

Save as disclosed herein, the Directors are not aware of any person (other than a Director or chief executive of the Company) who had an interest (including options and warrants) or short position, directly or indirectly, in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Yangtzekiang Garment Group as at the Latest Practicable Date.

3. COMPETING INTEREST

As at the Latest Practicable Date, in so far as the Directors were aware, none of the Directors or their respective associates had any interest in a business which competed or was likely to compete with the business of Yangtzekiang Garment Group.

4. EXPERT AND CONSENT

- (a) The following is the qualification of the expert which has given its advice contained in this circular:

Name	Qualifications
Nuada	a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO

- (b) Nuada does not have any shareholding, direct or indirect, in any member of Yangtzekiang Garment Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of Yangtzekiang Garment Group.
- (c) Nuada has given and has not withdrawn its written consent to the issue of this circular with the inclusion of their letter and references to its name in the form and context in which they are included.

- (d) Nuada does not have any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of YangtzeKiang Garment Group, or which are proposed to be acquired or disposed of by or leased to any member of YangtzeKiang Garment Group since 31 March 2010, being the date to which the latest published audited consolidated financial statements of the Company were made up.
- (e) The letter given by Nuada is given as of the date of this circular for incorporation herein.

5. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, they were not aware of any material adverse change in the financial or trading position of YangtzeKiang Garment Group since 31 March 2010, being the date to which the latest published audited consolidated financial statements of the Company were made up.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contracts with the Company or any member of YangtzeKiang Garment Group, other than contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

7. CORPORATE INFORMATION

- (a) The secretary and qualified accountant of the Company is Ms. Hui Sau Ling, *FCCA, CPA*.
- (b) The registered office, head office and principal place of business in Hong Kong is 22 Tai Yau Street, San Po Kong, Kowloon, Hong Kong.
- (c) The share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

8. MISCELLANEOUS

- (a) So far as is known to the Directors, as at the Latest Practicable Date, there was (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon the Chan Family and/or its associates in respect of their shareholding in the Company; and (ii) no obligation or entitlement of the Chan Family and/or its associates, whereby it has or may have temporarily or permanently passed control over the exercise of the voting rights in respect of its Shares to a third party, either generally or on a case-by-case basis.

- (b) So far as is known to the Directors, as at the Latest Practicable Date, (other than the Chan Family and/or its associates, which are interested in an aggregate of 113,003,256 Shares (representing approximately 53.72% of the issued share capital of the Company) as of the Latest Practicable Date, who are interested in the Yangtzekiang Garment Non-exempt Continuing Connected Transactions) there was no discrepancy between any Shareholder's beneficial shareholding interest in the Company as disclosed in this circular.

9. LANGUAGE

In the event of inconsistency, the English text of this circular and the form of proxy shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of the Company at 22 Tai Yau Street, San Po Kong, Kowloon, Hong Kong during normal business hours up to and including 9 May 2011:

- (a) a form of standard contract for sale of garments by Yangtzekiang Garment Group to YGM Trading Group;
- (b) Garment Sales Master Agreement in respect of Garment Sales by Yangtzekiang Garment Group to YGM Trading Group dated 24 March 2011;
- (c) the letter from the Independent Board Committee, the text of which is set out on page 8 of this circular; and
- (d) the letter from Nuada, the text of which is set out on pages 9 to 14 of this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING

長江製衣有限公司 YANGTZEKIANG GARMENT LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock Code: 00294)

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of YangtzeKiang Garment Limited (the “Company”) will be held at 22 Tai Yau Street, San Po Kong, Kowloon, Hong Kong on 9 May 2011 at 11:00 a.m. for purpose of considering and, if thought fit, passing, with or without modification, the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

“**THAT** the Garment Sales Master Agreement dated 24 March 2011 (as defined in the circular to the shareholders of the Company dated 15 April 2011 (the “Circular”), a copy of which has been produced to the meeting marked “A” and signed by the Chairman hereof for the purpose of identification), the transactions contemplated thereunder and the related annual caps in respect of each of the three financial years ending 31 March 2014 be and are hereby approved, and the directors of the Company be and are hereby authorised to execute all such documents and do all such acts as they may in their absolute discretion consider expedient, necessary or desirable to give effect to the transactions contemplated under the Garment Sales Master Agreement.”

By Order of the Board
Hui Sau Ling
Company Secretary

Hong Kong, 15 April 2011

Notes:

1. A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of himself. A proxy need not be a member of the Company.
2. In the case of the joint holders of shares in the Company, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such shares as if he were solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares alone shall be entitled to vote in respect thereof.
3. To be valid, a form of proxy, together with the 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 less than 48 hours before the time appointed for holding the meeting or adjourned meeting (as the case may be).
4. A form of proxy is enclosed herewith.

As at the date of this notice, the directors of the Company are Dr. Chan Sui Kau, Mr. Chan Wing Fui Peter, Mr. Chan Wing Kee, Mr. Chan Wing To, Madam Chan Suk Man, Mr. Chan Wing Sun Samuel, Madam Chan Suk Ling Shirley, Mr. So Ying Woon Alan, Mr. Leung Hok Lim, Mr. Lin Keping* and Mr. Sze Cho Cheung Michael*.*

* *Independent Non-executive Director*