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**Yangtzekiang Garment  
Manufacturing Company Limited**

*(Incorporated in Hong Kong with limited liability)*  
(Stock Code: 294)

**YGM Trading Limited**

*(Incorporated in Hong Kong with limited liability)*  
(Stock Code: 375)

**CONTINUING CONNECTED TRANSACTIONS**

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. Each of Yangtzekiang Garment Group and YGM Trading Group has also been carrying out certain transactions with YGM Marketing respectively.

As Chan Family is the controlling shareholder (as defined in the Listing Rules) of the Companies and the ultimate beneficial owner of YGM Marketing, the Continuing Connected Transactions and the Licence Arrangement constitute continuing connected transactions for Yangtzekiang Garment and/or YGM Trading (as the case may be) under the Listing Rules. Details of the Continuing Connected Transactions and the Licence Arrangement have been disclosed and waivers sought under the Old Listing Rules.

As required under Rule 14A.35(1) of the Listing Rules, Yangtzekiang Garment and/or YGM Trading (as the case may be) entered into new master agreements in respect of the Continuing Connected Transactions and a new licence agreement in respect of the Licence Arrangement on 3rd August, 2005. The Exempt Continuing Connected Transactions and the Licence Arrangement are subject to annual review, reporting and announcement requirements under Chapter 14A of the Listing Rules. The Non-exempt Continuing Connected Transactions are subject to annual review, reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

**BACKGROUND**

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. Each of Yangtzekiang Garment Group and YGM Trading Group has also been carrying out certain transactions with YGM Marketing respectively. These transactions constitute continuing connected transactions for Yangtzekiang Garment and/or YGM Trading (as the case may be) under the Listing Rules. Details of the Continuing Connected Transactions and the Licence Arrangement have been disclosed and waivers sought under the Old Listing Rules.

**MASTER AGREEMENTS**

As required under Rule 14A.35(1) of the Listing Rules, Yangtzekiang Garment and/or YGM Trading (as the case may be) entered into new master agreements in respect of the Continuing Connected Transactions.

## **A. Exempt Continuing Connected Transactions**

The Exempt Continuing Connected Transactions are subject to annual review, reporting and announcement requirements under Chapter 14A of the Listing Rules.

### **1. Master Agreement in respect of Garment Purchases by YangtzeKiang Garment Group from YGM Trading Group dated 3rd August, 2005**

#### *Nature of Transaction*

YangtzeKiang Garment Group will purchase garment products (such as blazers, pants and jackets) (“A1 Garment Products”) from YGM Trading Group from time to time for trading purposes during the 3-year period ending 31st March, 2008.

#### *Pricing Basis*

For the three financial years ended 31st March, 2005, the annual trading volume of A1 Garment Products between the Groups amounted to approximately HK\$65,000, HK\$2,813,000 and HK\$2,860,000 respectively.

These garment sales and purchases will be entered into in the ordinary course of business of YangtzeKiang Garment Group and YGM Trading respectively and on terms no less favourable than those available to or from (as the case may be) independent third party.

The prices and terms of these garment sales and purchases will be agreed between the Groups 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.

The Companies currently estimate that the annual trading volume will not exceed the maximum annual cap of HK\$9,000,000 for each of the three financial years ending 31st March, 2008. This estimate was made based on (i) the value of and growth in garment sales and purchases in the previous financial years; (ii) significant increase in orders for A1 Garment Products currently under negotiation between YangtzeKiang Garment Group and existing and new third party customers as compared with the sale and purchase of A1 Garment Products between the Groups during the financial year ended 31st March, 2005; and (iii) the estimated growth in market demand for garment products.

As the applicable percentage ratios on an annual basis represent less than 2.5% for the Companies, this transaction is subject to annual review, reporting and announcement requirements under Chapter 14A of the Listing Rules.

### **2. Master Agreement in respect of Garment Sales by YGM Trading Group to YGM Marketing dated 3rd August, 2005**

#### *Nature of Transaction*

YGM Trading Group will sell garment products (such as knitwears) (“A2 Garment Products”) to YGM Marketing from time to time for trading purposes during the 3-year period ending 31st March, 2008.

#### *Pricing Basis*

For the three financial years ended 31st March, 2005, the annual trading volume of A2 Garment Products between YGM Trading Group and YGM Marketing amounted to approximately HK\$48,000, HK\$1,596,000 and HK\$4,894,000 respectively.

These garment sales and purchases will be entered into in the ordinary course of business of YGM Trading Group and on terms no less favourable than those available to or from (as the case may be) independent third party.

The prices and terms of these garment sales and purchases will be agreed between YGM Trading Group and YGM Marketing 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.

YGM Trading currently estimates that the annual trading volume of garment products will not exceed the maximum annual cap of HK\$9,000,000 for each of the three financial years ending 31st March, 2008. This estimate was made based on (i) the value of and growth in garment sales and purchases in the previous financial years; (ii) significant increase in orders for A2 Garment Products currently under negotiation between YGM Trading and YGM Marketing as compared with the sale and purchase of A2 Garment Products between YGM Trading Group and YGM Marketing during the financial year ended 31st March, 2005; and (iii) the estimated growth in market demand for garment products.

As the applicable percentage ratios on an annual basis represent less than 2.5% for YGM Trading, this transaction is subject to annual review, reporting and announcement requirements under Chapter 14A of the Listing Rules.

## ***B. Non-exempt Continuing Connected Transactions***

The Non-exempt Continuing Connected Transactions are subject to annual review, reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **1. Master Agreement in respect of Garment Sales by Yangtzekiang Garment Group to YGM Trading Group dated 3rd August, 2005**

#### *Nature of Transaction*

Yangtzekiang Garment Group will sell garment products (such as knitwears, which are different from A2 Garment Products) ("B1 Garment Products") to YGM Trading Group from time to time for trading purposes during the 3-year period ending 31st March, 2008.

#### *Pricing Basis*

For the three financial years ended 31st March, 2005, the annual trading volume of B1 Garment Products amounted to approximately HK\$10,585,000, HK\$23,771,000 and HK\$35,709,000 respectively.

These garment sales and purchases will be entered into in the ordinary course of business of Yangtzekiang Garment Group and YGM Trading Group respectively and on terms no less favourable than those available to or from (as the case may be) independent third party.

The prices and terms of these garment sales and purchases will be agreed between the Groups 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.

The Companies currently estimate that the annual trading volume of garment products will not exceed the maximum annual cap of HK\$50,000,000, HK\$60,000,000 and HK\$70,000,000 for each of the three financial years ending 31st March, 2008 respectively. This estimate was made based on (i) the value of and growth in garment sales and purchases in the previous financial years; (ii) significant increase in orders for B1 Garment Products currently under negotiation between YGM Trading and existing and new third party customers as compared with the sale and purchase of B1 Garment Products between the Groups during the financial year ended 31st March, 2005; and (iii) the estimated growth in market demand for garment products.

As the applicable percentage ratios on an annual basis represent more than 2.5% for the Companies and the annual trading volume exceeds HK\$10,000,000, this transaction is subject to annual review, reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **2. Master Agreement in respect of Garment Sales by Yangtzekiang Garment Group to YGM Marketing dated 3rd August, 2005**

### *Nature of Transaction*

Yangtzekiang Garment Group will sell garment products (such as knitwears) ("B2 Garment Products") to YGM Marketing from time to time for trading purposes during the 3-year period ending 31st March, 2008.

### *Pricing Basis*

For the three financial years ended 31st March, 2005, the annual trading volume of B2 Garment Products amounted to approximately HK\$5,303,000, HK\$4,867,000 and HK\$6,578,000 respectively.

These garment sales and purchases will be entered into in the ordinary course of business of Yangtzekiang Garment Group and on terms no less favourable than those available to or from (as the case may be) independent third party.

The prices and terms of these garment sales and purchases will be agreed between Yangtzekiang Garment Group and YGM Marketing 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.

Yangtzekiang Garment currently estimates that the annual trading volume of garment products will not exceed the maximum annual cap of HK\$13,000,000, HK\$15,000,000 and HK\$17,000,000 for each of the three financial years ending 31st March, 2008 respectively. This estimate was made based on (i) the value of and growth in garment sales and purchases in the previous financial years; (ii) significant increase in orders for B2 Garment Products currently under negotiation between Yangtzekiang Garment and YGM Marketing as compared with the sale and purchase of B2 Garment Products between Yangtzekiang Garment Group and YGM Marketing during the financial year ended 31st March, 2005; and (iii) the estimated growth in market demand for garment products.

As the applicable percentage ratios on an annual basis represent more than 2.5% for Yangtzekiang Garment and the annual trading volume exceeds HK\$10,000,000, this transaction is subject to annual review, reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS**

The Continuing Connected Transactions provide the Companies additional suppliers or purchasers (as the case may be) of garment products. The prices and terms of the 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 cooperation between the Companies and with YGM Marketing in the past, the Board considers that the continuation of the Continuing Connected Transactions will be beneficial to the business of the Groups.

The directors of the Companies (including their respective independent non-executive directors) confirm that the relevant Continuing Connected Transactions will be conducted in their respective ordinary 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 their respective shareholders as a whole.

## **LICENCE ARRANGEMENT**

As disclosed in the joint announcement of the Companies dated 16th October, 2002, YGM Trading has been licensing from Yangtzekiang Garment approximately 90,000 square feet of warehouse and office space situate at 22-24 Tai Yau Street, San Po Kong, Kowloon, Hong Kong and the Companies have entered into relevant licence agreements since 31st March, 2001. As the latest licence agreement has expired on 31st March, 2005, as required under Rule 14A.35(1) of the Listing Rules, the Companies have on 3rd August, 2005 entered into a new licence agreement and agreed to continue such licence arrangement until 31st March, 2007. Unless both parties agree to terminate the licence agreement in writing, the licence agreement will be extended automatically for a further term of one year on the same terms. In addition, Yangtzekiang Garment may from time to time grant short-term licence to YGM Trading for the use of approximately 1,300 square feet of retail space in the said premises.

For the three financial years ended 31st March, 2005, the annual licence fee payable by YGM Trading Group to Yangtzekiang Garment Group under the Licence Arrangement amounted to approximately HK\$3,904,000, HK\$3,902,000 and HK\$3,904,000 respectively. The annual building management fee payable by YGM Trading Group to Yangtzekiang Garment Group under the Licence Arrangement amounted to approximately HK\$324,000 for each of the three financial years ended 31st March, 2005. The Companies estimate that the annual licence fee for warehouse, office and retail space and building management fee payable by YGM Trading Group to Yangtzekiang Garment Group under the Licence Arrangement will not exceed the maximum annual cap of HK\$4,350,000 for each of the three financial years ending 31st March, 2008. The annual cap in relation to the Licence Arrangement represents less than 2.5% of the applicable percentage ratios (as defined in the Listing Rules) of the Companies. As such, the Licence Arrangement is only subject to annual review, reporting and

announcement requirements under Chapter 14A of the Listing Rules and does not require the approval of the Independent Shareholders of the Companies.

The licence fee and building management fee under the new licence agreement was determined by the Companies after arm's length negotiations having regard to the government rates, conditions of the building, rental in the neighbouring premises and internal valuation by the Companies.

The directors of both Companies (including their respective independent non-executive directors) consider that terms of the new licence agreement are fair and reasonable and in the best interest of the shareholders of their respective companies.

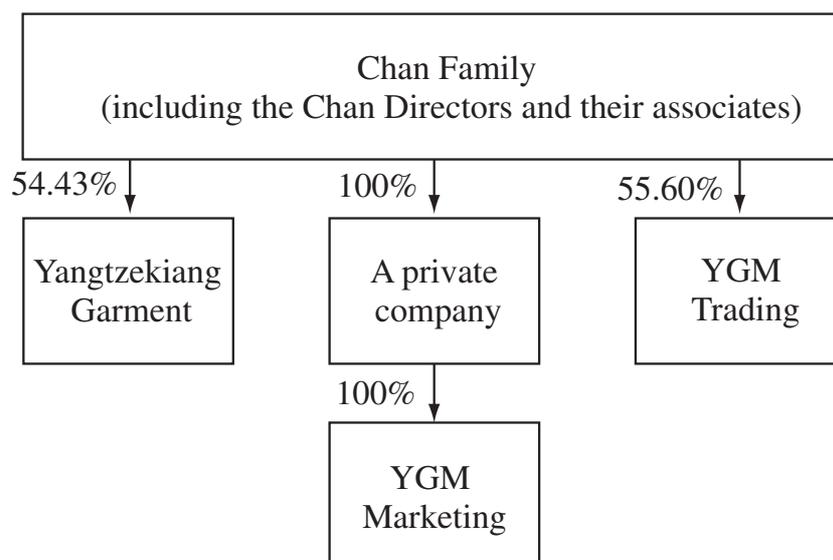
### **PRINCIPAL BUSINESS OF YANGTZEKIANG GARMENT GROUP, YGM TRADING GROUP AND CONNECTION AMONG THE RELEVANT PARTIES**

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.

YGM Marketing, headquartered in Singapore, is engaged in manufacturing, retail and wholesale of world-renowned apparel and accessories in several Southeast Asian countries save for Hong Kong, Macau, Taiwan and the People's Republic of China.

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



As Chan Family is beneficially interested in shares representing approximately 54.43% and approximately 55.60% 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.

Furthermore, as Chan Family is beneficially interested in the entire issued share capital of YGM Marketing through a private company, YGM Marketing is an associate of Chan Family and a connected person of Yangtzekiang Garment and YGM Trading for the purpose of the Listing Rules.

## **GENERAL**

The Companies will seek the Independent Shareholders' approval in relation to the Non-exempt Continuing Connected Transactions and the related annual caps at the EGM of YangtzeKiang Garment and/or YGM Trading (as the case may be). The Chan Family and its associates (as defined under the Listing Rules) shall abstain from voting at the EGM of YangtzeKiang Garment and/or YGM Trading (as the case may be). Insofar as the Companies are aware, apart from the Chan Family, which is interested in approximately 54.43% and approximately 55.60% of the issued share capital of YangtzeKiang Garment and YGM Trading respectively, no other shareholder of the Companies is required to abstain from voting in the EGM under the Listing Rules. An independent financial adviser will be appointed to advise on whether the Non-exempt Continuing Connected Transactions are entered into on normal commercial terms, in the ordinary and usual course of business of YangtzeKiang Garment and/or YGM Trading (as the case may be), and whether the Non-exempt Continuing Connected Transactions are fair and reasonable and in the interests of the Companies and their respective shareholders as a whole. A circular containing, inter alia, details of the Non-exempt Continuing Connected Transactions together with the advice of the independent financial adviser and a notice of the EGM to be convened for the purpose of approving the Non-exempt Continuing Connected Transactions will be despatched to the shareholders of YangtzeKiang Garment and YGM Trading respectively as soon as possible.

## **DEFINITIONS**

“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;
“Continuing Connected Transactions”	collectively, the Exempt Continuing Connecting Transactions and the Non-exempt Continuing Connected Transactions;
“EGM”	extraordinary general meeting of YangtzeKiang Garment and/or YGM Trading (as the case may be) to be convened on or about 23rd September, 2005;
“Exempt Continuing Connected Transactions”	Garment Purchases by YangtzeKiang Garment Group from YGM Trading Group and Garment Sales by YGM Trading Group to YGM Marketing;
“Garment Purchases by YangtzeKiang Garment Group from YGM Trading Group”	the transaction as described under item A1 in the section headed “Master Agreements” in this announcement;
“Garment Sales by YangtzeKiang Garment Group to YGM Marketing”	the transaction as described under item B2 in the section headed “Master Agreements” in this announcement;

“Garment Sales by Yangtzekiang Garment Group to YGM Trading Group”	the transaction as described under item B1 in the section headed “Master Agreements” in this announcement;
“Garment Sales by YGM Trading Group to YGM Marketing”	the transaction as described under item A2 in the section headed “Master Agreements” in this announcement;
“Groups”	Yangtzekiang Garment Group and YGM Trading Group;
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Shareholders”	the shareholders of Yangtzekiang Garment and/or YGM Trading, other than the Chan Family and its associates (as defined under the Listing Rules)
“Licence Arrangement”	the licence arrangement between the Companies as described in the section headed “Licence Arrangement” in this announcement;
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange;
“Master Agreement in respect of Garment Purchases by Yangtzekiang Garment Group from YGM Trading Group”	the master agreement dated 3rd August, 2005 as described under item A1 in the section headed “Master Agreements” in this announcement;
“Master Agreement in respect of Garment Sales by Yangtzekiang Garment Group to YGM Marketing”	the master agreement dated 3rd August, 2005 as described under item B2 in the section headed “Master Agreements” in this announcement;
“Master Agreement in respect of Garment Sales by Yangtzekiang Garment Group to YGM Trading Group”	the master agreement dated 3rd August, 2005 as described under item B1 in the section headed “Master Agreements” in this announcement;
“Master Agreement in respect of Garment Sales by YGM Trading Group to YGM Marketing”	the master agreement dated 3rd August, 2005 as described under item A2 in the section headed “Master Agreements” in this announcement;

“Master Agreements”	collectively, the Master Agreement in respect of Garment Purchases by YangtzeKiang Garment Group from YGM Trading Group, the Master Agreement in respect of Garment Sales by YGM Trading Group to YGM Marketing, the Master Agreement in respect of Garment Sales by YangtzeKiang Garment Group to YGM Trading Group and the Master Agreement in respect of Garment Sales by YangtzeKiang Garment Group to YGM Marketing;
“Non-exempt Continuing Connected Transactions”	Garment Sales by YangtzeKiang Garment Group to YGM Trading Group and Garment Sales by YangtzeKiang Garment Group to YGM Marketing;
“Old Listing Rules”	the Listing Rules in effect shortly prior to 31st March, 2004;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“YangtzeKiang Garment”	YangtzeKiang Garment Manufacturing Company Limited, a company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange;
“YangtzeKiang Garment Group”	YangtzeKiang Garment and its subsidiaries;
“YGM Marketing”	YGM Marketing Pte Limited, a private company incorporated in Singapore;
“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;
“%”	per cent..

By order of the Board  
**YangtzeKiang Garment Manufacturing  
Company Limited**  
**Chan Wing Fui, Peter**  
*Vice Chairman*

By order of the Board  
**YGM Trading Limited**  
**Chan Wing Sun, Samuel**  
*Managing Director*

Hong Kong, 11th August, 2005

*As at the date of this announcement,*

- (a) the directors of Yangtzekiang Garment are Chan Sui Kau, Chan Wing Fui Peter, Chan Wing Kee, Chan Wing To, Chan Suk Man, Chan Wing Sun Samuel, Chan Wing Chak David, Chan Suk Ling Shirley, Yeung Wing Tak#, Leung Hok Lim\*, Wong Lam\* and Lin Keping\*; and*
- (b) the directors of YGM Trading are Chan Sui Kau, Chan Wing Fui Peter, Chan Wing Sun Samuel, Chan Suk Ling Shirley, Chan Wing Ming Michael, Chan Wing Kee, Chan Wing To, Fu Sing Yam William, Leung Hok Lim\*, Wong Lam\* and Lin Keping\*.*

*# Non-Executive Director*

*\* Independent Non-Executive Director*

Please also refer to the published version of this announcement China Daily.