
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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**

VEDA | CAPITAL
智略資本

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

A letter from Veda Capital containing its advice to the Independent Board Committee and Independent Shareholders is set out on pages 9 to 13 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 1st April, 2008 at 11:00 a.m. is set out on page 18 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.

17th March, 2008

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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;
“Continuing Connected Transactions”	Garment Sales by Yangtzekiang Garment Group to 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 1st April, 2008 at 11:00 a.m., notice of which is set out on page 18 of this circular;
“Garment Sales”	the transaction as described in the section headed “Letter from the Board – Master Agreement” 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, Wong Lam and Lin Keping;
“Independent Shareholders”	the shareholders of Yangtzekiang Garment, other than the Chan Family and its associates (as defined under the Listing Rules);
“Latest Practicable Date”	13th March, 2008, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular;
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange;

DEFINITIONS

“Master Agreement”	the master agreement in respect of Garment Sales by Yangtzekiang Garment Group to YGM Trading Group dated 6th March, 2008, as described in the section headed “Letter from the Board – Master Agreement” in this circular;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shareholders”	holders of 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;
“Veda Capital”	Veda Capital Limited, a licensed corporation for 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;
“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”	Yangtzekiang Garment and its subsidiaries;
“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)

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
Leung Hok Lim*
Wong Lam*
Lin Keping*

Registered Office:

22 Tai Yau Street
San Po Kong
Kowloon
Hong Kong

* *Independent Non-Executive Director*

17th March, 2008

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 6th March, 2008 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 Continuing Connected Transactions, have been disclosed.

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

LETTER FROM THE BOARD

MASTER AGREEMENT

As required under Rule 14A.35(1) of the Listing Rules, Yangtzekiang Garment entered into a master agreement with YGM Trading in respect of the Continuing Connected Transactions on 3rd August, 2005 as disclosed in the joint announcement of the Companies dated 11th August, 2005. Since such master agreement will expire on 31st March, 2008, as required under Rule 14A.35(1) of the Listing Rules, the Companies have on 6th March, 2008 entered into a new master agreement in respect of the Continuing Connected Transactions as described in detail below. The 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

6th March, 2008

Nature of Transaction

Yangtzekiang Garment Group will sell garment products (such as knitwears) ("Garment Products") to YGM Trading Group from time to time for trading purposes during the 3-year period ending 31st March, 2011.

Pricing Basis

For the three financial years ending 31st March, 2008, the annual trading volume of Garment Products amounted to approximately HK\$45,287,000, HK\$39,805,000 and HK\$36,000,000, 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 parties.

The prices and terms of these 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.

The Company currently estimates that the annual trading volume of garment products will not exceed the maximum annual cap of HK\$45,000,000, HK\$50,000,000 and HK\$60,000,000 for each of the three financial years ending 31st March, 2011 respectively. This estimate was made based on (i) the value of and growth in garment sales and purchases in the previous financial years; (ii) increase in orders for Garment Products currently under negotiation between YGM Trading and existing and new third party customers as compared with the sale and purchase of Garment Products between the Connected Groups during the financial year ended 31st March, 2008; and (iii) the estimated growth in 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

As the applicable percentage ratios on an annual basis represent more than 2.5% for the Company 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.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Continuing Connected Transactions provide the Company with additional purchaser 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 YGM Trading Group 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 entering into of the Master Agreement for the continuation of the Continuing Connected Transactions will secure a source of income to Yangtzekiang Garment Group and will not bring any disadvantages to Yangtzekiang Garment Group. It will also be beneficial to the Connected Groups.

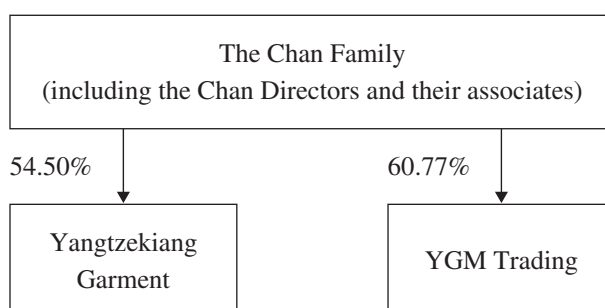
The Directors (including the independent non-executive directors of the Company) confirm that the relevant Continuing Connected Transactions will be conducted in the ordinary course of business and on normal commercial terms, negotiated on an arm's length basis, and are fair and reasonable and in the interests of the Shareholders as a whole.

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.

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



LETTER FROM THE BOARD

As the Chan Family is beneficially interested in shares representing approximately 54.50% and approximately 60.77% 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 1st April, 2008 at 11:00 a.m. is set out on page 18 of this circular. At the EGM, an ordinary resolution will be proposed to approve the 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 of the Company 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 54.50% interest in the Company.

RECOMMENDATIONS

The Board considers that the terms of the Continuing Connected Transactions and the related annual caps are fair and reasonable and the 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

LETTER FROM THE BOARD

- (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, Wong Lam and Lin Keping, has been formed to advise the Independent Shareholders on how they should vote in relation to the Continuing Connected Transactions and the related annual caps. Veda Capital has been retained to advise the Independent Board Committee and the Independent Shareholders on the 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 Veda Capital on pages 9 to 13 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
Chan Wing Fui Peter
Vice 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)

17th March, 2008

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 17th March, 2008 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 Continuing Connected Transactions and the related annual caps and to advise the Independent Shareholders in connection therewith. Veda Capital 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 Continuing Connected Transactions and the related annual caps, and to the letter of advice from Veda Capital set out on pages 9 to 13 of the Circular.

Having taken into account the terms of the Continuing Connected Transactions and the related annual caps and the advice of Veda Capital, we consider the terms of the 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 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*

Wong Lam
*Independent Non-executive
Director*

Lin Keping
*Independent Non-executive
Director*

LETTER FROM VEDA CAPITAL

The following is the full text of a letter of advice from Veda Capital to the Independent Board Committee and the Independent Shareholders prepared for the purpose of inclusion in this circular.

VEDA | CAPITAL
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Veda Capital Limited
Suite 809, 8/F, Shui On Centre
8 Harbour Road, Wanchai
Hong Kong

17th March, 2008

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

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS IN RESPECT OF GARMENT SALES BY YANGTZEKIANG GARMENT GROUP TO YGM TRADING GROUP

I. INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the entering into of the Master Agreement in respect of the Continuing Connected Transactions and the annual caps for the Continuing Connected Transactions, details of which are set out in the letter from the Board (the “Board Letter”) contained in this circular (the “Circular”) dated 17th March, 2008 issued by the Company, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

The Independent Board Committee has been established to advise whether the entering into of the Master Agreement in respect of the Continuing Connected Transactions and the annual caps for the Continuing Connected Transactions are in the interests of the Company and the Independent Shareholders as a whole. The Independent Board Committee (comprising the independent non-executive Directors, namely Mr. Leung Hok Lim, Mr. Wong Lam and Mr. Lin Keping, who are not involved in or have no interest in the entering into of the Master Agreement in respect of the Continuing Connected Transactions and thus are independent) has been established to advise the Independent Shareholders in respect of the entering into of the Master Agreement and the annual caps for the Master Agreement. Veda Capital has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to (i) whether the entering into of the Master Agreement in respect of the Continuing Connected Transactions and the annual caps for the Master Agreement are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole; and (ii) whether the Independent Shareholders should vote in favour of the resolution to approve the entering into of the Master Agreement in respect of the Continuing Connected Transactions and the annual caps for the Master Agreement.

LETTER FROM VEDA CAPITAL

II. BASIS OF OUR ADVICE

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Company, Directors and management of the Company. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, Directors and management of the Company and for which they are solely and wholly responsible, were true and accurate at the time they were made and continue to be true at the date of the Circular.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, or its subsidiaries or associated companies.

III. PRINCIPAL FACTORS AND REASONS CONSIDERED

In assessing the entering into of the Master Agreement in respect of the Continuing Connected Transactions and the annual caps for the Continuing Connected Transactions 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:

Background and reasons for entering into of the Master Agreement

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

Reference is made to the joint announcement of the Companies dated 11th August, 2005 in relation to, amongst others, entering into of a master agreement dated 3rd August, 2005 by the Companies in respect of the Garment Sales by Yangtzekiang Garment Group to YGM Trading Group. Since such master agreement will expire on 31st March, 2008, as required under the Listing Rules, the Companies have on 6th March, 2008 entered into the Master Agreement for the Continuing Connected Transactions. The Company first obtained a waiver granted by the Stock Exchange from strict compliance with the Listing Rules in respect of the Continuing Connected Transactions for the three financial years ended 31st March, 2002. Subsequent waivers have been granted in October 2002 and January 2004. Based on the letters to the Company from the auditors of the Company dated 4th November, 2003, 20th July, 2004 and 16th July, 2005, the auditors noted that the Board has approved the Garment Sales by Yangtzekiang Garment Group to YGM Trading Group and confirmed to the Board that nothing came to their attention that caused them

LETTER FROM VEDA CAPITAL

to believe that (i) the Garment Sales by YangtzeKiang Garment Group to YGM Trading Group were not in accordance with the term of the relevant master agreements; and (ii) the Garment Sales by YangtzeKiang Garment Group to YGM Trading Group for each of the years in the relevant periods has exceeded the annual cap amount under the waivers. We consider that the Company has track records to comply strictly with the requirements and conditions specified under the previous waivers in respect of the Garment Sales by YangtzeKiang Garment Group to YGM Trading Group.

As advised by the Directors, the Continuing Connected Transactions between the Connected Groups have been conducting and will conduct in accordance with the terms of the existing master agreement and the Master Agreement governing such Continuing Connected Transactions and are in the ordinary and usual course of business of YangtzeKiang Garment Group. The Continuing Connected Transactions provide YangtzeKiang Garment Group with additional revenue 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 Companies 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 Continuing Connected Transactions will be beneficial to YangtzeKiang Garment Group.

Principal terms of the Master Agreement

Pursuant to the Master Agreement, YangtzeKiang Garment Group will sell garment products (such as knitwears) ("Garment Products") to YGM Trading Group from time to time for trading purposes during the 3-year period ending 31st March, 2011. 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 calculated 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 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 customers of YangtzeKiang Garment Group.

On the basis that the Garment Sales by YangtzeKiang Garment Group to YGM Trading Group (i) 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 customers; and (iii) the Garment Sales by YangtzeKiang Garment Group to YGM Trading Group represent additional revenue and source of income for YangtzeKiang Garment Group to sell and market its products in addition to its independent customers network, we consider that the terms of the Master Agreement are fair and reasonable and the entering into of the Master Agreement is in the interests of the Company and the Independent Shareholders as a whole.

LETTER FROM VEDA CAPITAL

According to the Master Agreement, Yangtzekiang Garment Group currently offers a payment terms to YGM Trading Group with a term of payment of 30 days in cash after issuance of debit notes. We noticed that the settlement days offered to YGM Trading Group are generally not be later than 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.

Proposed annual caps

For each of the financial year ended 31st March, 2006 and 2007 and the financial year ending 31st March, 2008, the total amounts of the Garment Sales by the Group to YGM Trading Group pursuant to the existing master agreement are as follows:

	For the year ended 31st March, 2006	For the year ended 31st March, 2007	For the year ending 31st March, 2008
Garments Sales by Yangtzekiang Garment Group to YGM Trading Group	Approximately HK\$45,287,000	Approximately HK\$39,805,000	Approximately HK\$36,000,000

The table below sets out the annual caps for the Garment Sales Master Agreement for the three years ending 31st March, 2011:

	For the year ending 31st March, 2009	For the year ending 31st March, 2010	For the year ending 31st March, 2011
Garments Sales by Yangtzekiang Garment Group to YGM Trading Group	HK\$45,000,000	HK\$50,000,000	HK\$60,000,000

We have reviewed and discussed with the Directors on the sales projection for the Garment Sales by Yangtzekiang Garment Group to YGM Trading Group for the three financial years ending 31st March, 2011 prepared by the Company which is based on (i) the value of and growth in garment sales in the previous financial years; (ii) increase in orders for the Garment Products currently under negotiation between YGM Trading and existing and new third party customers as compared with the sale and purchaser of the Garment Products between the Connected Groups during the two financial years ended 31st March, 2007 and the year ending 31st March, 2008; and (iii) the estimated growth in market demand for garment products. The Directors have confirmed that the increase of the annual caps of the Garment Sales by Yangtzekiang Garment Group to YGM Trading Group is a result of an expected increase in the trading volume of the Garment Sales by Yangtzekiang Garment Group to YGM Trading Group which is in line with the growth of the business of YGM Trading Group and the situation that Yangtzekiang Garment Group have been able to provide value-added service with quality and more diverse sourcing network coverage in Asia on the Garment Products to YGM Trading Group. Upon enquiry, we also understand from the Directors that the Garments Sales under the Master Agreement to YGM Trading Group could better utilized the production capacity of Yangtzekiang Garment Group.

LETTER FROM VEDA CAPITAL

The Directors consider that, by entering into the Garment Sales by YangtzeKiang Garment Group to YGM Trading Group, 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, the fact that the Chan Family is the controlling shareholder of the Companies and the cordial relationship between the Connected Groups enable YangtzeKiang Garment Group to minimize its marketing costs and efforts in negotiating new sales orders and its credit risk in collecting account receivables from YGM Trading Group.

Based on the above, we consider that the maximum cap for each of the three financial years ending 31st March, 2011 in the amounts of HK\$45 million, HK\$50 million and HK\$60 million respectively has 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 the Company as a whole.

IV. Recommendation

Taking into consideration of the above-mentioned principal factors and reasons, we consider that the entering into of the Master Agreement in respect of the Continuing Connected Transactions and the annual caps for the Continuing Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole. We also consider that the entering into of the Master Agreement in respect of the Continuing Connected Transactions and the annual caps for the Continuing Connected Transactions were entered into upon normal commercial terms and in the ordinary and usual course of business of YangtzeKiang Garment Group. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the relevant ordinary resolution to be proposed at the EGM to approve the entering into of the Master Agreement in respect of the Continuing Connected Transactions and the annual caps for the Continuing Connected Transactions.

Yours faithfully,

For and on behalf of

Veda Capital Limited

Hans Wong

Julisa Fong

Managing Director

Executive Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors individually and collectively accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. DISCLOSURE OF INTERESTS

(A) Interests of Directors and chief executive

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which 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 provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Companies and which were required to be entered in the register required to be kept by the Company pursuant to section 352 of the SFO, were as follows:

Name of Director	Number of Shares			Other interests
	Personal interests	Family interests	Corporate interests	
Chan Sui Kau	6,324,696	3,999,354	5,611,230	(i)
Chan Wing Fui Peter	486,102	1,539,130	–	(i) & (ii) & (iii)
Chan Wing Kee	1,761,624	208,356	–	(i) & (ii) & (iii) & (iv)
Chan Wing To	2,934,054	–	–	(i) & (ii) & (iii) & (iv)
Chan Wing Sun Samuel	11,244	–	3,043,080	(i) & (ii) & (iii)
Chan Suk Ling Shirley	1,728,816	24,000	–	(i) & (ii) & (iii)
Chan Suk Man	1,535,442	–	–	(i) & (ii) & (iii) & (iv)
So Ying Woon Alan	12,000	–	–	–
Leung Hok Lim	–	–	–	–
Wong Lam	–	–	–	–
Lin Keping	–	–	–	–

Notes:

- (i) 44,600,260 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 and Chan Wing Sun Samuel, Madam Chan Suk Ling Shirley and Madam Chan Suk Man and other members of the Chan Family) and its subsidiaries.
- (ii) 34,595,908 shares of the Company were held by Joycome Limited, which is indirectly owned by Messrs. Chan Wing Fui Peter, Chan Wing Kee, Chan Wing To and Chan Wing Sun Samuel, Madam Chan Suk Ling Shirley, Madam Chan Suk Man and other members of the Chan Family.

- (iii) 1,574,480 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.
- (iv) 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 or the Company's chief executive, had, under Divisions 7 and 8 of Part XV of the SFO, nor were they taken to or deemed to have under such provisions of the SFO, any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) or any interests which are required to be entered into the register kept by the Company pursuant to section 352 of the SFO or any interests which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules.

- (B) As at the Latest Practicable Date, none of the Directors has any direct or indirect interest in any assets which have been, since 31st March, 2007 (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) 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**

Save as disclosed herein, the Directors are not aware of any person who was, directly or indirectly, interested or had short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, was directly or indirectly, interested in 10% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meetings of any other member of the Yangtzekiang Garment Group or any options in respect of such capital 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
Veda Capital Limited	Licensed corporation for type 6 (advising on corporate finance) regulated activity under the SFO

- (b) Veda Capital 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) Veda Capital 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) Veda Capital 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 31st March, 2007, being the date to which the latest published audited consolidated financial statements of the Company were made up.
- (e) The letter given by Veda Capital 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 31st March, 2007, 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. LANGUAGE

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

9. 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 1st April, 2008:

- (a) a standard contract for purchase of garments by YGM Trading Group from YangtzeKiang Garment Group;
- (b) Master Agreement in respect of Garment Sales by YangtzeKiang Garment Group to YGM Trading Group dated 6th March, 2008;
- (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 Veda Capital, the text of which is set out on pages 9 to 13 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 1st April, 2008 at 11:00 a.m. for purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

“**THAT** the Continuing Connected Transactions (as defined in the circular to the shareholders of YangtzeKiang Garment Limited dated 17th March, 2008 (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) and the related annual caps in respect of each of the three financial years ending 31st March, 2011 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 Continuing Connected Transactions.”

By Order of the Board

Hui Sau Ling

Company Secretary

Hong Kong, 17th March, 2008

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 Chan Sui Kau, Chan Wing Fui Peter, Chan Wing Kee, Chan Wing To, Chan Suk Man, Chan Wing Sun Samuel, Chan Suk Ling Shirley, So Ying Woon Alan, Leung Hok Lim, Wong Lam* and Lin Keping*.*

* *Independent Non-executive Director*