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YANGTZEKIANG GARMENT LIMITED

(incorporated in Hong Kong with limited liability)

(Stock Code: 00294)

YGM TRADING LIMITED

(incorporated in Hong Kong with limited liability)

(Stock Code: 00375)

CONTINUING CONNECTED TRANSACTIONS

Yangtzekiang Group and YGM Group have been carrying out certain transactions in relation to the sales and purchases of garment products and the licensing of warehouse and office space.

As the Chan Family is beneficially interested in shares representing approximately 54.63% and approximately 62.07% of the issued share capital of Yangtzekiang and YGM, respectively, each of Yangtzekiang and YGM is a connected person of the other for the purpose of the Listing Rules. Accordingly, the Garment Transactions and the Licence Arrangement constitute continuing connected transactions for Yangtzekiang and YGM under the Listing Rules.

GARMENT TRANSACTIONS

As disclosed in the joint announcement of the Companies dated 24 March 2011, Yangtzekiang and YGM entered into, among other things, a master agreement in respect of the purchases of garment products by YGM Group from Yangtzekiang Group on 24 March 2011. Since such master agreement will expire on 31 March 2014, the Companies entered into the Garment Master Agreement on 25 March 2014 for renewing the terms and conditions in respect of the Garment Transactions during the period commencing on 1 April 2014 and ending on 31 March 2017. The Companies currently estimate that the annual trading volume of garment products under the Garment Master Agreement will not exceed the maximum annual cap of HK\$28 million for each of the three financial years ending 31 March 2017.

As the annual cap in relation to the Garment Transactions represents more than 0.1% but less than 5% of the applicable percentage ratios (as defined in the Listing Rules) of the Companies and the Garment Transactions will be conducted on normal commercial terms, the Garment Transactions are only subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules for each of the Companies.

LICENCE ARRANGEMENT

As disclosed in the joint announcement of the Companies dated 24 March 2011, YGM has been licensing from Yangtzekiang approximately 80,000 to 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 31 March 2001. As the latest licence agreement will expire on 31 March 2014, the Companies entered into the Licence Agreement on 25 March 2014 and agreed to continue such Licence Arrangement until 31 March 2017.

The Companies estimate that the annual licence fee and the annual building management fee payable by YGM to Yangtzekiang under the Licence Agreement will not exceed the maximum annual cap of HK\$8 million and HK\$400,000, respectively.

As the annual cap in relation to the Licence Arrangement represents more than 0.1% but less than 5% of the applicable percentage ratios (as defined in the Listing Rules) of the Companies and the Licence Arrangement will be conducted on normal commercial terms, the Licence Arrangement is only subject to the reporting, announcement and annual review requirements but is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules for each of the Companies.

BACKGROUND

Yangtzekiang Group and YGM Group have been carrying out certain transactions in relation to the sales and purchases of garment products and the licensing of warehouse and office space. These transactions constitute continuing connected transactions for Yangtzekiang and YGM under the Listing Rules.

GARMENT TRANSACTIONS

As disclosed in the joint announcement of the Companies dated 24 March 2011, Yangtzekiang and YGM entered into, among other things, a master agreement in respect of the purchases of garment products by YGM Group from Yangtzekiang Group on 24 March 2011. Since such master agreement will expire on 31 March 2014, the Companies entered into the Garment Master Agreement on 25 March 2014 for renewing the terms and conditions in respect of the Garment Transactions.

Further details of the Garment Master Agreement and the Garment Transactions are as follows:

Date of the Garment Master Agreement

25 March 2014

Parties

- (1) Yangtzekiang, on behalf of Yangtzekiang Group
- (2) YGM, on behalf of YGM Group

Nature of the Garment Transactions

YGM Group may from time to time purchase knitwear and other garment products from Yangtzekiang Group during the period commencing on 1 April 2014 and ending on 31 March 2017 (both days inclusive).

The purchase price payable by YGM Group to Yangtzekiang Group for the garment products under the Garment Master Agreement shall be payable in cash within 30 days upon issuance of debit notes.

Pricing Basis and Annual Cap

The Garment Transactions have been and shall continue to be entered into in the ordinary and usual course of business of the Groups and on normal commercial terms. The prices and terms of Garment Transactions shall be determined and agreed between the Groups on an order-by-order basis after arm's length negotiations, taking into account the value and volume of the order to be placed, the type and design of the garment products to be purchased and any specific requirement relating to the garment products or the orders.

For the three financial years ending 31 March 2014, the annual volume of purchases of garments products by YGM Group from Yangtzekiang Group amounted/would amount to approximately HK\$38.6 million, HK\$32.9 million and HK\$33.0 million, respectively.

The Companies currently estimate that the annual trading volume of garment products under the Garment Master Agreement will not exceed the maximum annual cap of HK\$28 million for each of the three financial years ending 31 March 2017. This estimate was made based on (i) the annual volume of purchases of garment products by YGM Group from Yangtzekiang Group for the three financial years ending 31 March 2014; (ii) orders for knitwear and other garment products currently under negotiation between Yangtzekiang Group and existing and new third party customers; and (iii) the estimated market demand for garment products.

As the annual cap in relation to the Garment Transactions represents more than 0.1% but less than 5% of the applicable percentage ratios (as defined in the Listing Rules) of the Companies and the Garment Transactions will be conducted on normal commercial terms, the Garment Transactions are only subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules for each of the Companies.

Reasons for and benefits of the Garment Transactions

The Garment Transactions provide the Companies with additional suppliers or purchasers (as the case may be) of garment products. Given the well-established relationship between the Companies, the board of directors of each of the Companies considers that the continuation of the Garment Transactions will be beneficial to the Groups.

The directors of the Companies (including their respective independent non-executive directors) consider that the Garment Transactions will be conducted in the Companies' respective 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 Companies and their respective shareholders as a whole.

LICENCE ARRANGEMENT

As disclosed in the joint announcement of the Companies dated 24 March 2011, YGM has been licensing from Yangtzekiang approximately 80,000 to 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 31 March 2001. As the latest licence agreement will expire on 31 March 2014, the Companies entered into the Licence Agreement on 25 March 2014 and agreed to continue such Licence Arrangement until 31 March 2017.

Further details of the Licence Agreement are as follows:

Date of the Licence Agreement

25 March 2014

Parties

- (1) Yangtzekiang (as licensor)
- (2) YGM (as licensee)

Nature of the Licence Arrangement

Yangtzekiang agrees to allow YGM to occupy as licensee approximately 90,000 square feet of warehouse and office space situate at 22-24 Tai Yau Street, San Po Kong, Kowloon, Hong Kong (the "**Premises**") for a term commencing on 1 April 2014 and terminating on 31 March 2017 (both days inclusive).

YGM agrees to pay Yangtzekiang (i) a licence fee of HK\$652,500 per month (i.e. approximately HK\$7.25 per square feet per month) (exclusive of rates, management and other charges); and (ii) a building management fee of HK\$27,000 per month (i.e. approximately HK\$0.30 per square feet per month).

Under the Licence Agreement, YGM, with the written consent of Yangtzekiang, may from time to time:

- (1) surrender portion(s) of the Premises provided that (i) such surrendered portions in aggregate shall not exceed 10,000 square feet; (ii) the licence fee payable by YGM shall be reduced by HK\$7.25 per month per square feet of the area(s) of the said premises being surrendered; and (iii) the building management fee payable by YGM shall be reduced by HK\$0.30 per month per square feet of the area(s) of the Premises being surrendered; and/or

- (2) license additional premises at 22-24 Tai Yau Street, San Po Kong, Kowloon, Hong Kong held by Yangtzekiang provided that (i) the aggregate area of such additionally licensed premise shall not exceed the areas of the Premises that has been surrendered pursuant to (1) above; (ii) the licence fee payable by YGM for the additionally licensed premises shall be HK\$7.25 per month per square feet (exclusive of rates, management and other charges); and (iii) the building management fee payable by YGM for the additionally licensed premises shall be HK\$0.30 per month per square feet.

The licence fees and the building management fees payable by YGM to Yangtzekiang under the Licence Agreement shall be paid in cash on a monthly basis within 30 days upon issuance of debit notes, which shall be issued on a monthly basis.

The Licence Agreement also provides that:

- (1) the aggregate annual licence fee payable under the Licence Agreement shall not exceed the maximum annual cap of HK\$8,000,000; and
- (2) the aggregate annual building management fee payable under the Licence Agreement shall not exceed the maximum annual cap of HK\$400,000.

Pricing Basis and Annual Cap

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

For the three financial years ending 31 March 2014, (i) the annual licence fee payable by YGM to Yangtzekiang under the Licence Agreement amounted/would amount to approximately HK\$4.8 million, HK\$5.2 million and HK\$5.2 million, respectively; and (ii) the annual building management fee payable by YGM to Yangtzekiang under the Licence Agreement amounted/would amount to approximately HK\$300,000, HK\$324,000 and HK\$324,000, respectively.

The Companies estimate that (i) the annual licence fee payable by YGM to Yangtzekiang under the Licence Agreement will not exceed the maximum annual cap of HK\$8,000,000; and (ii) the annual building management fee payable by YGM to Yangtzekiang under the Licence Agreement will not exceed the maximum annual cap of HK\$400,000, which are calculated with reference to the maximum area licensable by YGM from Yangtzekiang under the Licence Agreement.

As the annual cap in relation to the Licence Arrangement represents more than 0.1% but less than 5% of the applicable percentage ratios (as defined in the Listing Rules) of the Companies and the Licence Arrangement will be conducted on normal commercial terms, the Licence Arrangement is only subject to the reporting, announcement and annual review requirements but is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules for each of the Companies.

Reasons for and benefits of the Licence Arrangement

The Premises have been occupied for the operations of YGM Group since 1988. It is thus considered desirable for YGM Group to retain the use of the Premises to avoid business interruption and to renew the licence with Yangtzekiang Group at a fair market rental rate.

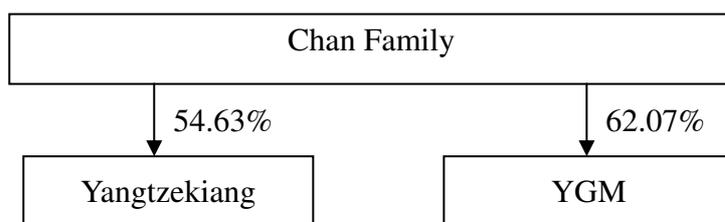
The directors of both Companies (including their respective independent non-executive directors) consider that the Licence Arrangement will be conducted in the Companies' respective ordinary course of business and on normal commercial terms, and the terms of the new Licence Agreement (including the relevant caps) are negotiated on an arm's length basis, and are fair and reasonable and in the interests of the Companies and their respective shareholders as a whole.

PRINCIPAL BUSINESSES OF YANGTZEKIANG GROUP AND YGM GROUP AND THE CONNECTION AMONG THE RELEVANT PARTIES

YangtzeKiang Group is principally engaged in the manufacturing and sale of garment products and textiles and provision of processing services.

YGM Group is principally engaged in the manufacturing, retail and wholesale of world-renowned apparel and accessories, property investment and provision of security printing and general business forms printing.

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



As the Chan Family is beneficially interested in shares representing approximately 54.63% and approximately 62.07% of the issued share capital of YangtzeKiang and YGM, respectively, each of YangtzeKiang and YGM is a connected person of the other for the purpose of the Listing Rules.

Save as Madam Chan Suk Man and Mr. Fu Sing Yam William, the Chan Directors, whom are members of the Chan Family, are directors of both Companies, and the four independent non-executive directors of YangtzeKiang are also independent non-executive directors of YGM. Subject as aforesaid, no director (other than the Chan Directors) has a material interest in the transactions contemplated in this announcement. Other than the Chan Directors, whom have abstained from voting on the resolutions of the board of directors of the Companies regarding the transactions contemplated in this announcement, no director of the Companies has abstained from such voting.

DEFINITIONS

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

“Chan Directors”	Dr. Chan Sui Kau, Mr. Chan Wing Fui Peter, Mr. Chan Wing Kee, Mr. Chan Wing Sun Samuel, Mr. Chan Wing To, Madam Chan Suk Ling Shirley, Madam Chan Suk Man and Mr. Fu Sing Yam William
“Chan Family”	the Chan Directors and their associates (as defined under the Listing Rules)
“Companies”	collectively, YangtzeKiang and YGM
“Garment Master Agreement”	the master agreement dated 25 March 2014 and entered into between YangtzeKiang and YGM in respect of the Garment Transactions
“Garment Transactions”	the purchase of garment products (mainly knitwear) by YGM Group from YangtzeKiang Group on an order-by-order basis and from time to time in accordance with the Garment Master Agreement, as more particularly described in the section headed “Garment Transactions” in this announcement
“Groups”	YangtzeKiang Group and YGM Group

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Licence Arrangement”	the arrangement in respect of the licensing of warehouse and office space situate at 22-24 Tai Yau Street, San Po Kong, Kowloon, Hong Kong by YGM from Yangtzekiang, as more particularly described in the section headed “Licence Arrangement” in this announcement
“Licence Agreement”	the licence agreement dated 25 March 2014 and entered into between Yangtzekiang and YGM in respect of the Licence Arrangement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yangtzekiang”	Yangtzekiang Garment Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed and traded on the Stock Exchange
“Yangtzekiang Group”	Yangtzekiang and its subsidiaries
“YGM”	YGM Trading Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed and traded on the Stock Exchange
“YGM Group”	YGM and its subsidiaries
“%”	per cent.

By Order of the Board of Directors
Yangtzekiang Garment Limited
Chan Wing Fui Peter
Vice Chairman

By Order of the Board of Directors
YGM Trading Limited
Chan Wing Sun Samuel
Vice Chairman

Hong Kong, 25 March 2014

As at the date of this announcement,

- (a) *the board of directors of Yangtzekiang comprises eight executive directors, namely 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 and Mr. So Ying Woon Alan, and four independent non-executive directors, namely Mr. Leung Hok Lim, Mr. Lin Keping, Mr. Sze Cho Cheung Michael and Mr. Choi Ting Ki; and*
- (b) *the board of directors of YGM comprises seven executive directors, namely Dr. Chan Sui Kau, Mr. Chan Wing Fui Peter, Mr. Chan Wing Sun Samuel, Madam Chan Suk Ling Shirley, Mr. Fu Sing Yam William, Mr. Chan Wing Kee and Mr. Chan Wing To, and four independent non-executive Directors, namely Mr. Leung Hok Lim, Mr. Lin Keping, Mr. Sze Cho Cheung Michael and Mr. Choi Ting Ki.*