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## **YANGTZEKIANG GARMENT MANUFACTURING COMPANY LIMITED**

**長江製衣廠有限公司**

*(Incorporated in Hong Kong with limited liability)*

### **CONNECTED TRANSACTIONS**

The Company has entered into the following agreements:

- (1) an agreement on 10th February, 2003 and a supplemental agreement thereto on 24th March, 2003 in relation to the acquisition of 25% of the issued share capital of Whampoa Textile Limited from CFICL, a person connected with the Company for the purpose of the Listing Rules, for a cash consideration of HK\$5,000,000 (“Whampoa Agreement”); and
- (2) an agreement on 10th February, 2003 and a supplemental agreement thereto on 24th March, 2003 in relation to the acquisition of 50% of the issued share capital of Knitters Lanka from Sevenoaks, a person connected with the Company for the purpose of the Listing Rules, for a cash consideration of HK\$1 (“Knitters Lanka Agreement”).

The Agreements are conditional on the approval of the Independent Shareholders at the EGM. Completion of both Acquisitions shall take place on the fifth Business Day after such condition is fulfilled (or on such other day as the parties may agree). If the condition is not fulfilled on or before 30th May, 2003, the rights and obligations of the relevant parties will lapse and the Agreements shall terminate and be of no further effect, save in respect of antecedent breaches.

The consideration and other terms of the Agreements were negotiated on an arm’s length basis and on terms that are fair and reasonable to the Independent Shareholders. The consideration of each of the Acquisitions represents less than 3% of the audited consolidated NTA of the Group for the financial year ended 31st March, 2002 and should be subject to Rule 14.25(1) of the Listing Rules. Nevertheless, to afford the Independent Shareholders an opportunity to review and consider the Acquisitions in the light of the circumstances thereof as set out in this announcement, the Company has decided to make the Agreements conditional upon the Independent Shareholders’ approval. A circular containing, among other things, information on the Acquisitions, the letter from the independent financial adviser containing its advice to the Independent Board Committee in respect of the Acquisitions, the recommendation of the Independent Board Committee in respect of the Acquisitions and a notice convening the EGM will be despatched to the Shareholders as soon as practicable.

After completion of the Acquisitions, various existing transactions between the Group and the Whampoa Group and Knitters Lanka shall become transactions between the Company and its wholly owned subsidiaries or between its wholly owned subsidiaries and will not be subject to disclosure or shareholders approval requirements under Chapter 14 of the Listing Rules. These transactions include provision of corporate guarantees, sourcing arrangements relating to the referral of manufacturing orders and supply of raw materials, sub-contracting of manufacturing of garment products, licensing of office and warehouse spaces and the provision of administrative, management and supporting services, all of which were conducted in the ordinary course of the business of the Group. The Company acknowledges that some of these transactions constitute breaches of the Listing Rules. The Stock Exchange is of the view that the Company is in breach of the relevant disclosure requirements under Chapter 14 of the Listing Rules in so far as all the Related Parties Transactions are concerned.

After liaising with the Stock Exchange, the Company has engaged independent auditors to undertake a thorough and detailed review of the transactions with the related parties during the three financial years ended 31st March, 2002. Taking into account the report prepared by the independent auditors, the Directors were of the view that the related parties transactions were undertaken on normal commercial terms and on terms not conferring any undue gains at the expense of the Group. The Directors believe that the terms of such related parties transactions are fair and reasonable in so far as the Shareholders are concerned. The Company noted the Stock Exchange's view in relation to the Related Parties Transactions and that it reserves its rights to take appropriate actions against the Company and the Directors in relation thereto.

At the request of the Company, trading in the shares of the Company was suspended at 9:30 a.m. on 12th February, 2003 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the shares of the Company at 9:30 a.m. on 25th March, 2003.

## **CONNECTED TRANSACTIONS**

### **I. Whampoa Agreement**

- *Date*  
10th February, 2003 (as amended by a supplemental agreement dated 24th March, 2003)
- *Parties*
  - (1) The Company, as purchaser
  - (2) CFICL, as vendor
- *Interest to be acquired*  
25% of the issued share capital of Whampoa Textile Limited
- *Consideration*  
HK\$5,000,000, which represents less than 3% of the audited consolidated NTA of the Group for the financial year ended 31st March, 2002.

The consideration and other terms of the Whampoa Agreement were negotiated on an arm's length basis and on terms that are fair and reasonable to the Independent Shareholders. The consideration was calculated based on the unaudited consolidated NTA and the goodwill on consolidation of Whampoa Textile Limited and its subsidiaries as at 30th September, 2002. The consideration will be paid by internal resources of the Group.

The net profits before and after taxation of Whampoa Textile Limited for the financial year ended 31st March, 2002 were approximately HK\$16,444,000 and HK\$12,531,000 respectively. For the financial year ended 31st March, 2001, the net profits before and after taxation were approximately HK\$28,942,000 and HK\$25,721,000 respectively. The audited consolidated NTA of Whampoa Textile Limited and its subsidiaries as at 31st March, 2002 was approximately HK\$6,619,000.

- *Condition*  
Completion of the Whampoa Acquisition is conditional on the approval of the Whampoa Agreement and the transactions contemplated thereunder by the Independent Shareholders at the EGM. If the condition is not fulfilled on or before 30th May, 2003, the rights and obligations of the relevant parties will lapse and the Whampoa Agreement shall terminate and be of no further effect, save in respect of antecedent breaches.
- *Completion*  
Completion of the Whampoa Acquisition shall take place on the fifth Business Day after the above condition is fulfilled (or on such other day as the parties may agree).

The Company is indirectly interested in 75% of the issued share capital of Hong Kong Knitters through Whampoa Textile Limited. After completion of the Whampoa Acquisition, Whampoa Textile Limited shall become a wholly-owned subsidiary of the Company.

- *Trade carried on by Whampoa Group*  
Whampoa Textile Limited is an investment holding company and wholly owns Hong Kong Knitters. Hong Kong Knitters is principally engaged in the trading of fabric and garment products.
- *Reasons for the Whampoa Acquisition*  
The Whampoa Acquisition will enable the Group to increase its equity interest in Whampoa Textile Limited and the Company believes that the Whampoa Acquisition will add synergistic value to the operation of the Group. As a result of the Whampoa Acquisition, Whampoa Textile Limited shall become a wholly-owned subsidiary of the Company and various existing transactions between the Group and members of the Whampoa Group will not be subject to disclosure or shareholders approval requirements under Chapter 14 of the Listing Rules after completion of the Whampoa Acquisition.

## **II. Knitters Lanka Agreement**

- *Date*  
10th February, 2003 (as amended by a supplemental agreement dated 24th March, 2003)
- *Parties*  
(1) The Company, as purchaser  
(2) Sevenoaks, as vendor
- *Interest to be acquired*  
50% of the issued share capital of Knitters Lanka

- *Consideration*

A nominal consideration in cash of HK\$1. The consideration and other terms of the Knitters Lanka Agreement were negotiated on an arm's length basis and on terms that are fair and reasonable to the Independent Shareholders. The consideration was calculated based on the unaudited NTA of Knitters Lanka as at 30th September, 2002 and represents less than 3% of the audited consolidated NTA of the Group for the financial year ended 31st March, 2002.

The net loss both before and after taxation of Knitters Lanka for the financial year ended 31st March, 2002 were approximately (US\$472,000) ((HK\$3,682,000)). For the financial year ended 31st March, 2001, the net profits both before and after taxation were approximately US\$123,000 (HK\$959,000). The audited consolidated net liability of Knitters Lanka as at 31st March, 2002 was approximately (US\$373,000) ((HK\$2,909,000)). The principal liabilities of Knitters Lanka include amounts due to a bank under certain banking facilities and to Hong Kong Knitters which arose as a result of normal trading activities with Hong Kong Knitters.

- *Condition*

Completion of the Knitters Lanka Acquisition is conditional on the approval of the Knitters Lanka Agreement and the transactions contemplated thereunder by the Independent Shareholders at the EGM. If the condition is not fulfilled on or before 30th May, 2003, the rights and obligations of the relevant parties will lapse and the Knitters Lanka Agreement shall terminate and be of no further effect, save in respect of antecedent breaches.

- *Completion*

Completion of the Knitters Lanka Acquisition shall take place on the fifth Business Day after the above condition is fulfilled (or on such other day as the parties may agree).

The Company is beneficially interested in 50% of the issued share capital of Knitters Lanka. After completion of the Knitters Lanka Acquisition, Knitters Lanka shall become a wholly-owned subsidiary of the Company.

- *Trade carried on by Knitters Lanka*

Knitters Lanka is engaged in garment manufacturing.

- *Reasons for the Knitters Lanka Acquisition*

The Company believes that the Knitters Lanka Acquisition will add synergistic value to the operation of the Group. The Company is committed to re-engineer the current operations of Knitters Lanka and will introduce a new pricing policy to enhance operational efficiency of Knitters Lanka. The Knitters Lanka Acquisition will enable the Group to increase its equity interest in Knitters Lanka at a nominal consideration and as a result of the Knitters Lanka Acquisition, Knitters Lanka shall become a wholly-owned subsidiary of the Company and various existing transactions between the Group and Knitters Lanka will not be subject to disclosure or shareholders approval requirements under Chapter 14 of the Listing Rules after completion of the Knitters Lanka Acquisition.

## RELATED PARTIES TRANSACTIONS

After completion of the Acquisitions, various existing transactions between the Group and the Whampoa Group and Knitters Lanka shall become transactions between the Company and its wholly owned subsidiaries or between its wholly owned subsidiaries and will not be subject to disclosure or shareholders approval requirements under Chapter 14 of the Listing Rules. The Company acknowledges that some of these transactions constitute breaches of the Listing Rules. The Stock Exchange is of the view that the Company is in breach of the relevant disclosure requirements under Chapter 14 of the Listing Rules in so far as all the Related Parties Transactions as described below are concerned.

After liaising with the Stock Exchange, the Company has engaged independent auditors to undertake a thorough and detailed review of the transactions with the related parties during the three financial years ended 31st March, 2002. Taking into account the report prepared by the independent auditors, the Directors were of the view that the related parties transactions were undertaken on normal commercial terms and on terms not conferring any undue gains at the expense of the Group. The Directors believe that the terms of such related parties transactions are fair and reasonable in so far as the Shareholders are concerned. The Company noted the Stock Exchange's view in relation to the Related Parties Transactions and that it reserves its rights to take appropriate actions against the Company and the Directors in relation thereto.

### A. Provision of Guarantees

Before completion of the Acquisitions, the Company had provided corporate guarantees to banks in respect of the banking facilities provided to the Whampoa Group and Knitters Lanka for funding their daily working capital. The total amounts guaranteed by the Company and the same amounts expressed as a percentage of the total audited consolidated NTA of the Group for the eight financial years ended 31st March, 2002 are as follows:

		Total amount guaranteed by the Company and as percentage of total audited consolidated NTA Year ended 31st March, (HK\$'000)							
Facility	Borrower	1995	1996	1997	1998	1999	2000	2001	2002
I	Knitters Lanka	–	–	2,730	2,730	2,730	2,730	2,730	2,730
		–	–	0.83%	1.00%	0.97%	0.87%	0.80%	0.77%
II	Hong Kong Knitters	34,200	34,200	49,148	49,148	49,148	49,148	49,148	49,148
		10.03%	10.45%	14.95%	17.95%	17.40%	15.72%	14.37%	13.88%
III	Hong Kong Knitters	46,750	65,000	65,000	65,000	65,000	65,000	–	–
		13.71%	19.87%	19.78%	23.73%	23.01%	20.79%	–	–
IV	HKK (Lesotho)	–	–	–	–	–	–	–	23,400
		–	–	–	–	–	–	–	6.61%

The Company is beneficially interested in 50% of the issued share capital of Knitters Lanka. The Company provided a corporate guarantee in relation to Facility I above since the financial year ended 31st March, 1997. Sevenoaks, the other shareholder of Knitters Lanka, has not given any guarantee in relation to Facility I. During the six financial years ended 31st March, 2002, the total amount guaranteed by the Company in relation to Facility I above represents less than 50% of the total amount of the banking facilities granted to Knitters Lanka. The Company is of the view that it has complied with Rule 14.25(2)(b)(ii) of the Listing Rules. The Stock Exchange is considering whether this transaction constitutes a breach of the Listing Rules and if the breach is established, the Company would be in breach of Rule 14.25(1) in respect of such guarantee which should have been disclosed by way of a press notice.

The Company is beneficially interested in 75% of the issued share capital of Hong Kong Knitters. The Company provided corporate guarantees in relation to Facility II and Facility III above since the financial year ended 31st March, 1995. The total amount guaranteed by the Company in relation to Facility II above does not exceed 75% of the total amount of the banking facilities granted to Hong Kong Knitters. The total amount guaranteed by the Company in relation to Facility III above represents 100% of the total amount of the banking facilities granted to Hong Kong Knitters. CFICL, the other shareholder of Whampoa Textile Limited which wholly owns Hong Kong Knitters, has not given any guarantee to the bank in respect of Facility II and Facility III but has provided a counter guarantee to the Company in respect of 25% of the banking facilities under Facility III. The guarantees in relation to Facility III above has been terminated in 2000.

The Company is beneficially interested in 75% of the issued share capital of HKK (Lesotho). During the financial year ended 31st March, 2002, the Company provided a corporate guarantee in relation to Facility IV above and the total amount guaranteed by the Company represents 100% of the total amount of the banking facilities granted to HKK (Lesotho). Such guarantee has been terminated in 2002. CFICL, the other shareholder of Whampoa Textile Limited which indirectly wholly owns HKK (Lesotho), has not given any guarantee in relation to Facility IV.

While CFICL is a person connected with the Company for the purpose of the Listing Rules, the Company is of the view that the HKK Group (including its wholly owned subsidiaries Hong Kong Knitters and HKK(Lesotho) involved in Facility II and III and Facility IV respectively) is not an associate of CFICL and should not be considered a connected person of the Company. Accordingly, the provision of corporate guarantees for Facility II, Facility III and Facility IV above which are transactions between the Company and the HKK Group should not constitute connected transactions of the Group under Chapter 14 of the Listing Rules. Details of all the above guarantees have been included in the annual reports of the Company.

Nevertheless, the Stock Exchange is considering whether such transactions between the Company and members of the HKK Group, its non wholly owned subsidiaries, constitute a breach of the Listing Rules. If the breach is established, the Company would be in breach of Rule 14.26(6)(a) in relation to provision of guarantees for Facility II, Facility III and Facility IV which should have been disclosed by way of a press notice and made conditional upon Shareholders' approval.



## B. Sourcing Arrangements

Before completion of the Acquisitions, the Group has from time to time entered into the sourcing arrangements described below with Knitters Lanka and Hong Kong Knitters on an order by order basis. As regards sourcing arrangements in respect of Transactions I and II below, they have first been entered into in or around 1993 to 1994. Such sourcing arrangements in respect of Transactions III and IV below, they have first been entered into in the financial year ended 31st March, 1999 and in the financial year ended 31st March, 2002 respectively. The entities referred to as Company A below receive a commission from the entities referred to as Company B below as consideration for the referral of manufacturing orders by Company A to Company B. Such commission is calculated as a percentage of the contract sum of the relevant manufacturing orders. Upon Company B's request and for the purpose of the above manufacturing orders, Company A also purchases the relevant raw materials and supplies the same to Company B at Company A's purchase cost. The commission and cost of the raw materials involved in the sourcing arrangements and each of the amounts expressed as a percentage of the total audited turnover and the total audited consolidated NTA of the Group in the last three financial years ended 31st March, 2002 are summarised below:

**Commission (Cost of raw materials), as percentage of turnover  
and as percentage of total audited consolidated NTA  
Year ended 31st March,  
(HK\$'000)**

	Company A	Company B	2000	2001	2002
I	Hong Kong Knitters	Knitters	3,666 (33,747)	3,937 (45,089)	4,103 (50,068)
		Lanka	0.33% (3.06%)	0.32% (3.63%)	0.35% (4.32%)
			1.17% (10.79%)	1.15% (13.18%)	1.16% (14.14%)
II	Company	Knitters	53 (814)	774 (7,352)	14 (3)
		Lanka	0.005% (0.07%)	0.06% (0.59%)	0.001% (0.0003%)
			0.017% (0.26%)	0.23% (2.15%)	0.004% (0.0008%)
III	Hong Kong Knitters	YangtzeKiang	2,152 (27,574)	3,451 (57,707)	1,346 (18,214)
		(Myanmar)	0.19% (2.50%)	0.28% (4.64%)	0.12% (1.57%)
			0.69% (8.82%)	1.01% (16.87%)	0.38% (5.14%)
IV	Hong Kong Knitters	YGM	–	–	260 (4,668)
		(Cambodia)	–	–	0.02% (0.40%)
			–	–	0.07% (1.32%)

The Company is of the view that the HKK Group should not be considered a connected person of the Company and accordingly Transactions III and IV entered into between Hong Kong Knitters and each of YangtzeKiang (Myanmar) and YGM (Cambodia), a wholly-owned subsidiary of the Company, should not constitute connected transactions of the Company under Chapter 14 of the Listing Rules.

In the light of the nature of the sourcing arrangements as described above, the Company is of the view that only the commission paid or received by the Group should be taken as the value of the sourcing arrangements. The Company admits that it is in breach of Rule 14.25(1) of the Listing Rules in so far as the commissions involved in Transaction I are concerned which should have been disclosed by way of a press notice.

Nevertheless, the Stock Exchange is of the view that the commission and the value of the raw materials involved should be aggregated in determining the value of the sourcing arrangements. The Stock Exchange is considering whether Transactions I, II, III and IV constitute breaches of the Listing Rules. If the breaches are established, the Company would be in breach of Rule 14.26 in respect of Transaction I and Transaction III which should have been disclosed by way of a press notice and made conditional upon Shareholders' approval and further the Company would be in breach of Rule 14.25(1) in respect of Transaction II in the financial year ended 31st March, 2001 and Transaction IV which should have been disclosed by way of a press notice.

### C. Transactions with HKK Group

The Group has also entered into the transactions described below with the HKK Group. As explained in the section headed "Provision of Guarantees" above, the Company is of the view that the HKK Group should not be considered a connected person of the Company and the transactions between the Group and the HKK Group should not constitute connected transactions of the Group under Chapter 14 of the Listing Rules.

Nevertheless, the Stock Exchange is considering whether the transactions described below between the Group and the HKK Group, its non wholly owned subsidiaries, constitute breaches of the Listing Rules. If the breaches are established, the Company would be in breach of Rule 14.26 of the Listing Rules in respect of Transaction C(I) below in the financial year ended 31st March, 2001 which should have been disclosed by way of a press notice and made conditional upon Shareholders' approval and as regards all the other transactions with the HKK Group as described below, the Company would be in breach of Rule 14.25(1) of the Listing Rules which should have been disclosed by way of a press notice. As regards the provision of working capital by the Company to Hong Kong Knitters in relation to Transaction C (V) below, the Stock Exchange is considering whether this transaction also constitutes other breach of the Listing Rules.

I. Hong Kong Knitters has from time to time sub-contracted the manufacturing of various garment products to the Company on an order by order basis. Such sub-contracting arrangements have first been entered into in the financial year ended 31st March, 2000. The Directors confirm that such sub-contracts are entered into on normal commercial terms and on terms no less favourable than those available from independent third parties. The subcontracting fee received by the Group and the same amount expressed as a percentage of the total audited turnover and the total audited consolidated NTA of the Group for the last three financial years ended 31st March, 2002 are as follows:

	<b>Subcontracting fee received by the Group, as percentage of turnover and as percentage of total audited consolidated NTA Year ended 31st March, (HK\$'000)</b>		
	2000	2001	2002
Subcontracting fee	9,001	13,425	5,515
As percentage of turnover	0.82%	1.08%	0.48%
As percentage of NTA	2.88%	3.92%	1.56%



- II. Since the financial year ended 31st March, 1994, the Company has licensed office and warehouse spaces at 22 to 24 Tai Yau Street, San Po Kong, Kowloon, Hong Kong to Hong Kong Knitters. The rental and management fee payable by Hong Kong Knitters is calculated based on the area of the office and warehouse spaces occupied by Hong Kong Knitters and the market rate for similar spaces in the neighbourhood. The aggregate rental and management fee received by the Company from Hong Kong Knitters and the same amount expressed as a percentage of the total audited turnover and the total audited consolidated NTA of the Group for the three financial years ended 31st March, 2002 are as follows:

**Rental and management fee received by the Group,  
as percentage of turnover and  
as percentage of total audited consolidated NTA  
Year ended 31st March,  
(HK\$'000)**

	2000	2001	2002
Rental and management fee	1,955	1,949	2,017
As percentage of turnover	0.18%	0.16%	0.17%
As percentage of NTA	0.63%	0.57%	0.57%

- III. Since the financial year ended 31st March, 2000, the Company has provided administrative, management and supporting services to Hong Kong Knitters including business strategy, personnel and administration, legal and company secretarial work, logistic and accounting services. The management fee payable by Hong Kong Knitters is calculated by reference to the cost of the relevant personnel and the overhead costs incurred by the Company in providing such services to Hong Kong Knitters and on a cost recovery basis. The management fee received by the Company from Hong Kong Knitters for such services and the same amount expressed as a percentage of the total audited turnover and the total audited consolidated NTA of the Group for the three financial years ended 31st March, 2002 are as follows:

**Management fee received by the Group,  
as percentage of turnover and  
as percentage of total audited consolidated NTA  
Year ended 31st March,  
(HK\$'000)**

	2000	2001	2002
Management fee	1,200	1,400	2,640
As percentage of turnover	0.11%	0.11%	0.23%
As percentage of NTA	0.38%	0.41%	0.75%

- IV. During the financial year ended 31st March, 2002, Exquisite Knitters has from time to time purchased yarn from Wuxi Textile at market rate and on an order by order basis. The Directors confirm that such purchases are entered into on normal commercial terms and on terms no less favourable than those available from independent third parties. The purchase of yarn and the same amount expressed as a percentage of the total audited turnover and the total audited consolidated NTA of the Group for the financial year ended 31st March, 2002 are as follows:

**Purchase of yarn,  
as percentage of turnover and  
as percentage of total audited consolidated NTA  
Year ended 31st March, 2002  
(HK\$'000)**

Purchase of yarn	2,560
As percentage of turnover	0.22%
As percentage of NTA	0.72%

- V. Since the financial year ended 31st March, 1996 and as a result of the normal trading between the Company and Hong Kong Knitters and the provision of working capital by the Company to Hong Kong Knitters from time to time, Hong Kong Knitters is indebted to the Company from time to time. The provision of working capital by the Company to Hong Kong Knitters was made on a revolving basis. The accounting records of these activities between the Company and Hong Kong Knitters were kept under the same account throughout the relevant periods and the account balance would comprise both the due amount arising from the normal trading between the Company and Hong Kong Knitters and the amount of working capital provided by the Company to Hong Kong Knitters which would change from time to time. The Company has adopted the practice of calculating and recording the month-end balance of the account and is therefore only in a position to provide the month-end account balance. The lowest and the highest month-end account balance between the Company and Hong Kong Knitters for the financial year ended 31st March, 2000 are approximately HK\$42,739,000 and HK\$80,974,000 respectively. The lowest and the highest month-end account balance between the Company and Hong Kong Knitters for the financial year ended 31st March, 2001 are approximately HK\$13,951,000 and HK\$66,702,000 respectively. The lowest and the highest month-end account balance between the Company and Hong Kong Knitters for the financial year ended 31st March, 2002 are approximately HK\$30,601,000 and HK\$79,154,000 respectively.

For the two financial years ended 31st March, 2001, interest accrued on the average of the opening and closing balance of such financial year at 6.5% per annum. For the financial year ended 31st March, 2002, interest accrued on such account balance which has not been settled by Hong Kong Knitters at the end of each calendar month at 6.5% per annum. The interest received by the Company from Hong Kong Knitters and the same amount expressed as a percentage of the total audited turnover and the total audited consolidated NTA of the Group for the last three financial years ended 31st March, 2002 are as follows:

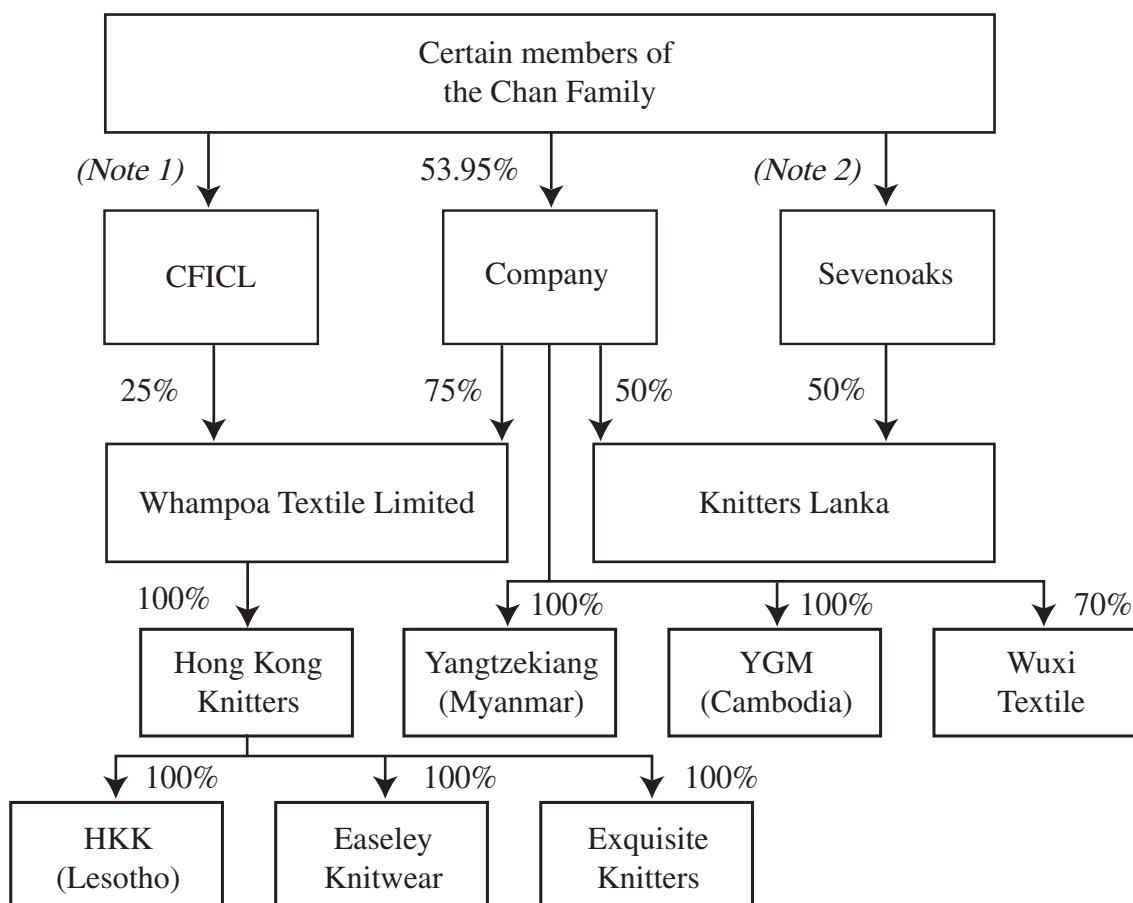
**Interest received by the Group,  
as percentage of turnover and  
as percentage of total audited consolidated NTA  
Year ended 31st March,  
(HK\$'000)**

	2000	2001	2002
Interest	1,957	1,865	3,599
As percentage of turnover	0.18%	0.15%	0.31%
As percentage of NTA	0.63%	0.55%	1.02%

**PRINCIPAL BUSINESS OF THE GROUP AND CONNECTION AMONG THE RELEVANT PARTIES**

The Group is principally engaged in the manufacturing and sale of garments products.

Chan Family's direct or indirect equity interests in the Company and the other entities referred to in this announcement are summarised as follows:



*Notes:*

1. The entire issued share capital of CFICL is beneficially owned by certain members of Chan Family and the Whampoa Acquisition constitutes a connected transaction for the Company under the Listing Rules.
2. Certain members of Chan Family are collectively interested in and entitled to exercise more than 30% of the voting power at general meeting of Sevenoaks and the Knitters Lanka Acquisition constitutes a connected transaction for the Company under the Listing Rules.

The Directors, including the independent non-executive Directors, consider the terms of the Acquisitions to be fair and reasonable and in the interest of the Company and the Shareholders as a whole.

The consideration of each of the Acquisitions represents less than 3% of the audited consolidated NTA of the Group for the financial year ended 31st March, 2002 and should be subject to Rule 14.25(1) of the Listing Rules. Nevertheless, to afford the Independent Shareholders an opportunity to review and consider the Acquisitions in the light of the circumstances thereof as set out in this announcement, the Company has decided to make the Agreements conditional upon the Independent Shareholders' approval. A circular containing, among other things, information on the Acquisitions, the letter from the independent financial adviser containing its advice to the Independent Board Committee in respect of the Acquisitions, the recommendation of the Independent Board Committee in respect of the Acquisitions and a notice convening the EGM will be despatched to the Shareholders as soon as practicable.

At the request of the Company, trading in the shares of the Company was suspended at 9:30 a.m. on 12th February, 2003 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the shares of the Company at 9:30 a.m. on 25th March, 2003.

**DEFINITIONS**

“Acquisitions”	collectively, the Whampoa Acquisition and the Knitters Lanka Acquisition
“Agreements”	collectively, the Whampoa Agreement and the Knitters Lanka Agreement
“Business Day”	a day (excluding Saturdays) on which banks are open for business in Hong Kong
“CFICL”	Chan Family Investment Corp. Ltd., a company incorporated in the Cayman Islands and has a 25% interest in Whampoa Textile Limited
“Chan Family”	Messrs. Chan Sui Kau, Chan Wing Fui Peter, Chan Wing Kee, Chan Wing Sun Samuel, Chan Wing To, Chan Wing Chak David, Madam Chan Suk Man and Madam Chan Suk Ling Shirley and their respective associates (as defined under the Listing Rules)
“Company”	Yangtzekiang Garment Manufacturing Company Limited

“Directors”	the directors of the Company
“Easeley Knitwear”	Easeley Knitwear Limited, a company incorporated in Hong Kong and wholly owned by Hong Kong Knitters
“EGM”	an extraordinary general meeting of the Company to be held to consider, and if appropriate, approve the Acquisitions
“Exquisite Knitters”	Exquisite Knitters (Guangzhou) Limited, a wholly foreign owned enterprise incorporated in the PRC and wholly owned by Hong Kong Knitters
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Knitters”	Hong Kong Knitters Limited, a company incorporated in Hong Kong and wholly owned by Whampoa Textile Limited
“HKK Group”	Hong Kong Knitters and its subsidiaries
“HKK (Lesotho)”	Hong Kong Knitters (Lesotho) Limited, a company incorporated in the British Virgin Islands and wholly owned by Hong Kong Knitters
“Independent Shareholders”	Shareholders other than the Chan Family and its associates (as defined in the Listing Rules)
“Knitters Lanka”	Hongkong Knitters Lanka (PVT) Limited, a company incorporated in Sri Lanka and an associate of the Company, 50% of the total issued share capital of which is held by the Company and the remaining 50%, by Sevenoaks
“Knitters Lanka Acquisition”	the transaction described under item II in this announcement
“Knitters Lanka Agreement”	the sale and purchase agreement relating to the Knitters Lanka Acquisition dated 10th February, 2003 and entered into between the Company and Sevenoaks as amended and supplemented by a supplemental agreement dated 24th March, 2003 between the same parties
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“NTA”	net tangible assets
“PRC”	the People’s Republic of China

“Related Parties Transactions”	the transactions described in the section headed “Related Parties Transactions” in this announcement which shall all cease to be related parties transactions of the Group after completion of the Acquisitions
“Sevenoaks”	Sevenoaks Associates, Inc., a company incorporated in the British Virgin Islands and has a 50% interest in Knitters Lanka
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Whampoa Acquisition”	the transaction described under item I in this announcement
“Whampoa Agreement”	the sale and purchase agreement relating to the Whampoa Acquisition dated 10th February, 2003 and entered into between the Company and CFICL as amended and supplemented by a supplemental agreement dated 24th March, 2003 between the same parties
“Whampoa Group”	Whampoa Textile Limited and its subsidiaries
“Whampoa Textile Limited”	a company incorporated in Hong Kong, 75% of the total issued share capital of which is held by the Company and the remaining 25%, by CFICL
“Wuxi Textile”	Wuxi YGM Textile Company Limited, a sino-foreign equity joint venture incorporated in the PRC in which the Group has a 70% beneficial interest
“Yangtzekiang (Myanmar)”	Yangtzekiang Industries (Myanmar) Limited, a company incorporated in Myanmar and wholly owned by the Company
“YGM (Cambodia)”	YGM (Cambodia) Limited a company incorporated in Cambodia and wholly owned by the Company
“HK\$”	Hong Kong dollars
“US\$”	United States dollars
“%”	per cent.

*Note:* In this announcement, figures originally expressed in US\$ have been converted into HK\$ equivalents at the rate of US\$1.00 to HK\$7.8.

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

Hong Kong, 24th March, 2003

Please also refer to the published version of this announcement in The Standard.