
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 stockbroker or other licensed corporation, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold all your shares in YangtzeKiang Garment Manufacturing Company Limited, you should at once hand this Circular to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this Circular, makes no representations 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.

長江製衣廠有限公司
YANGTZEKIANG GARMENT MANUFACTURING COMPANY LIMITED
(Incorporated in Hong Kong with limited liability)

CONNECTED TRANSACTIONS

Independent Financial Adviser to the Independent Board Committee



Hantec Capital Limited

A letter from the Independent Board Committee is set out on page 18 of this Circular.

A letter from Hantec Capital Limited to the Independent Board Committee is set out on pages 19 to 30 of this Circular.

A notice convening an extraordinary general meeting of YangtzeKiang Garment Manufacturing Company Limited to be held at 22 Tai Yau Street, San Po Kong, Kowloon, Hong Kong on Monday, 5th May, 2003 at 10:30 a.m. is set out on pages 35 to 36 of this Circular. Whether or not you intend to attend such meeting, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same 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 such meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at such meeting or any adjourned meeting should you so wish.

14th April, 2003

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DEFINITIONS

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

“Acquisitions”	collectively, the Whampoa Acquisition and the Knitters Lanka Acquisition
“Agreements”	collectively, the Whampoa Agreement and the Knitters Lanka Agreement
“Board”	the board of Directors
“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)
“Circular”	the circular to Shareholders issued by the Company dated 14th April, 2003
“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

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“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 Board Committee”	an independent committee of the Board comprising Mr. Leung Hok Lim and Mr. Wong Lam, independent non-executive Directors
“Independent Financial Adviser”	Hantec Capital Limited, a licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), appointed by the Company as an independent financial adviser to advise the Independent Board Committee on the Acquisitions
“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 contemplated under the Knitters Lanka Agreement as described under item II in the letter from the Board contained in this Circular
“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
“Latest Practicable Date”	14th April, 2003, being the latest practicable date prior to the printing of this Circular for ascertaining certain information contained herein
“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 the letter from the Board contained in this Circular which shall all cease to be related parties transactions of the Group after completion of the Acquisitions

DEFINITIONS

“Sevenoaks”	Sevenoaks Associates, Inc., a company incorporated in the British Virgin Islands and has a 50% interest in Knitters Lanka
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Whampoa Acquisition”	the transaction contemplated under the Whampoa Agreement as described under item I in the letter from the Board contained in this Circular
“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.

(In this Circular, figures originally expressed in US\$ have been converted into HK\$ equivalents at the rate of US\$1.00 to HK\$7.8.)

LETTER FROM THE BOARD

長江製衣廠有限公司

YANGTZEKIANG GARMENT MANUFACTURING COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

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
Yeung Wing Tak*
Chan Wing Chak, David
Chan Suk Ling, Shirley
Leung Hok Lim**
Wong Lam**

Registered Office:

22 Tai Yau Street
San Po Kong
Kowloon
Hong Kong

* *Non-executive Directors*

** *Independent Non-executive Directors*

14th April, 2003

To the Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTIONS

INTRODUCTION

The Company has entered into:

- (1) the Whampoa Agreement in relation to the acquisition of 25% of the issued share capital of Whampoa Textile Limited; and
- (2) the Knitters Lanka Agreement in relation to the acquisition of 50% of the issued share capital of Knitters Lanka.

The Agreements constitute connected transactions of the Company under the Listing Rules. To afford the Independent Shareholders an opportunity to review and consider the Acquisitions in the light of the circumstances thereof, the Agreements have been made conditional on the approval of the Independent Shareholders at the EGM. Hantec Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee on the Acquisitions.

LETTER FROM THE BOARD

The purpose of this Circular is to provide you with details of the Acquisitions and to convene the EGM to approve the Acquisitions. Your attention is drawn to the ordinary resolution set out in the notice of the EGM at the end of this Circular.

THE ACQUISITIONS

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. For the six months ended 30th September, 2002, the unaudited net profits before and after taxation of Whampoa Textile Limited were approximately HK\$3,967,000 and HK\$2,440,000 respectively. The audited consolidated NTA of Whampoa Textile Limited and its subsidiaries as at 31st March, 2002 was approximately HK\$6,619,000.

LETTER FROM THE BOARD

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

LETTER FROM THE BOARD

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 unaudited consolidated net liability of Knitters Lanka as at 30th September, 2002 was approximately (US\$1,141,000) ((HK\$8,900,000)). The principal liabilities of Knitters Lanka as at 30th September, 2002 included amounts totalling approximately US\$1,500,000 due to a bank under certain banking facilities and amounts due 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.

LETTER FROM THE BOARD

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 Messrs Sum, Arthur & Co., Independent Certified Public Accountants, 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 Messrs Sum, Arthur & Co. dated 6th September, 2002, 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.

LETTER FROM THE BOARD

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**

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

The Company has not been required to make any payment to the banks under the above guarantees.

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 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%

LETTER FROM THE BOARD

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 to 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. After the customers have placed manufacturing orders with Company A, Company A will place matching manufacturing orders with Company B. Company B will manufacture the garment products and arrange for shipment of the same to the customers directly. The commission received by Company A is in the range of 5% to 7% of the contract sum of the relevant manufacturing orders. The rate of the

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commission is determined in the light of the costs in providing the relevant sourcing arrangements on a case by case basis and is subject to review by Company A and Company B from time to time according to the pricing of the relevant products. 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 Lanka	3,666	(33,747)	3,937	(45,089)	4,103	(50,068)
			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 Lanka	53	(814)	774	(7,352)	14	(3)
			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 (Myanmar)	2,152	(27,574)	3,451	(57,707)	1,346	(18,214)
			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 (Cambodia)	–	–	–	–	260	(4,668)
			–	–	–	–	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.

LETTER FROM THE BOARD

Nevertheless, the Stock Exchange is of the view that given that Company A has a primary obligation to manufacture garment products under manufacturing orders placed by the customers, 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

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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:

**Subcontracting 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
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

LETTER FROM THE BOARD

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

LETTER FROM THE BOARD

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:

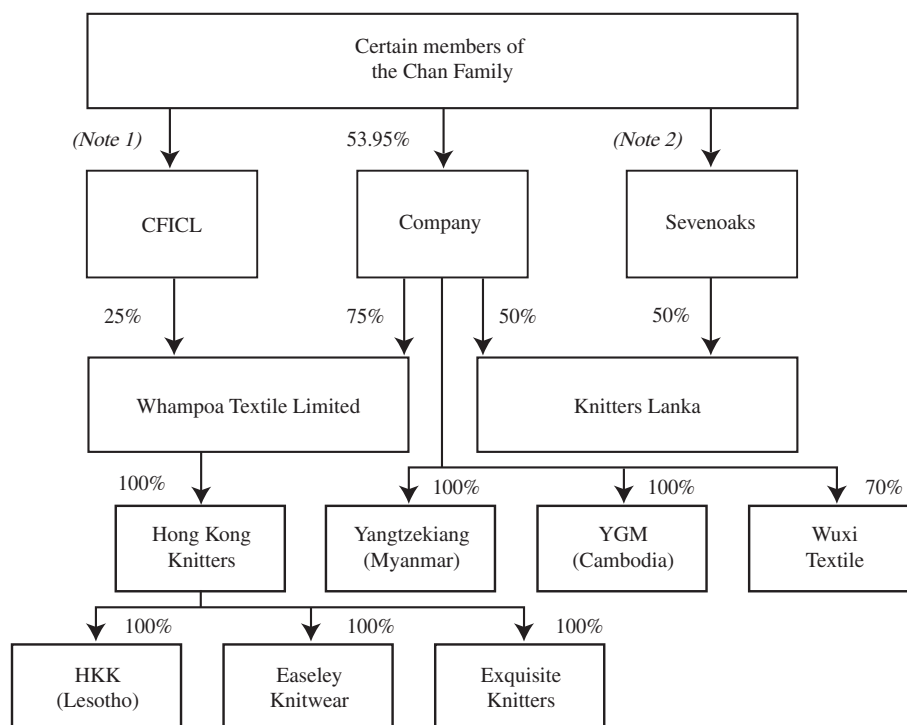
	Interest received by the Group as percentage of turnover and as percentage of total audited consolidated NTA		
	Year ended 31st March, (HK\$'000)		
	2000	2001	2002
Interest	1,957	1,865	3,599
As percentage of turnover	0.18%	0.15%	0.31%
As percentage of NTA	0.63%	0.55%	1.02%

LETTER FROM THE BOARD

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 Circular 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.

EXTRAORDINARY GENERAL MEETING

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, the Agreements have been made conditional upon the Independent Shareholders' approval. Members of the Chan Family, who are together interested in 53.95% of the issued share capital of the Company, will abstain from voting in respect of the resolution to be proposed at the EGM to approve the Acquisitions.

14.30(3)

LETTER FROM THE BOARD

A notice of the EGM to be held at 22 Tai Yau Street, San Po Kong, Kowloon on Monday, 5th May, 2003 at 10:30 a.m. for the purpose of considering and, if thought fit, passing the ordinary resolution as set out therein is included on pages 35 to 36 of this Circular.

A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM, you are requested to complete this form of proxy and return it to the Company's registered office at 22 Tai Yau Street, San Po Kong, Kowloon, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof should you so wish.

RECOMMENDATION

The Independent Board Committee has been formed to advise the Independent Shareholders in relation to the Acquisitions. The Independent Financial Adviser has been appointed to advise the Independent Board Committee on the Acquisitions.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, is of the opinion that the terms of the Acquisitions are fair and reasonable so far as the Independent Shareholders are concerned, and recommends that the Independent Shareholders vote in favour of the ordinary resolution regarding the Acquisitions set out in the notice of EGM at the end of this Circular. The letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee is set out on pages 19 to 30 of this Circular. The letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 18 of this Circular.

ADDITIONAL INFORMATION

Your attention is drawn to the letters from the Independent Financial Adviser and the Independent Board Committee and the general information set out in the Appendix to this Circular.

Yours faithfully,
For and on behalf of
Yangtzekiang Garment Manufacturing Company Limited
Chau Sui Kau
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

長江製衣廠有限公司

YANGTZEKIANG GARMENT MANUFACTURING COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

14th April, 2003

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTIONS

**Acquisition of interests in Whampoa Textile Limited and
Hongkong Knitters Lanka (PVT) Limited**

We have been appointed as the Independent Board Committee to advise you in connection with the Acquisitions, details of which are set out in the letter from the Board contained in the Circular to the Shareholders dated 14th April, 2003 (the "Circular"), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Hantec Capital Limited has been appointed as the Independent Financial Adviser to consider and advise the Independent Board Committee on the terms of the Acquisitions.

Having considered the terms, principal factors and reasons of the Acquisitions and the opinion of the Independent Financial Adviser in relation thereto as set out on pages 19 to 30 of the Circular, we are of the opinion that the terms of the Acquisitions are fair and reasonable so far as the Independent Shareholders are concerned. We therefore recommend that you vote in favour of the ordinary resolution to be proposed at the EGM to approve the Acquisitions. Your attention is drawn to the letter from the Board and the letter from the Independent Financial Adviser as set out in the Circular.

Yours faithfully,

For and on behalf of

Independent Board Committee

Leung Hok Lim

Independent

non-executive Director

Wong Lam

Independent

non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter prepared by the Independent Financial Adviser for the purposes of inclusion in this Circular:



HANTEC CAPITAL LIMITED

45th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong

14th April, 2003

*To the Independent Board Committee of
YangtzeKiang Garment Manufacturing Company Limited*

Dear Sirs,

CONNECTED TRANSACTIONS – The Acquisitions

We refer to our appointment as Independent Financial Adviser to advise the Independent Board Committee in respect of the Acquisitions. Pursuant to the Agreements, the Company will acquire: (i) 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; and (ii) 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. Details of the Agreements are set out in the letter from the Board (the “Board’s Letter”) contained in the Circular of the Company dated 14th April, 2003 of which this letter forms part. Terms used herein without definition shall have the meanings set forth in the Circular unless the context otherwise requires.

As the entire issued share capital of CFICL is beneficially owned by certain members of Chan Family and 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 before the Acquisitions, CFICL and Sevenoaks are connected persons to the Company as defined under the Listing Rules and therefore the Acquisitions constitute connected transactions for the Company under the Listing Rules. 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, the Agreements have been made conditional upon the Independent Shareholders’ approval at the EGM. Members of the Chan Family, who are together interested in 53.95% of the issued share capital of the Company, will abstain from voting in respect of the resolution to be proposed at the EGM to approve the Acquisitions.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In arriving at our recommendation, we have relied on the information and facts including, but not limited to, the Agreements, and have assumed that any representations made to us are true, accurate and complete. We have also relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and management of the Company. We have assumed that all information, representations and opinions contained or referred to in the Circular and all information, representations and opinions which have been provided by the Directors and management of the Company for which they are solely responsible, are true and accurate at the time they were made and will continue to be accurate at the date of the despatch of the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and presentation provided to us by the Directors.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. Having made all reasonable enquiries, the Directors have further confirmed that, to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Directors and management of the Company, nor have we conducted an independent investigation into the business and affairs of the Company, the Whampoa Group or Knitters Lanka.

PRINCIPAL FACTORS CONSIDERED

In arriving at our opinion with regard to the Acquisitions, we have taken into account the following principal factors and reasons into consideration:

(I) THE WHAMPOA ACQUISITION

Information about the 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. 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. For the six months ended 30th September, 2002, the unaudited net profits before and after taxation of Whampoa Textile Limited were approximately HK\$3,967,000 and HK\$2,440,000 respectively. The decrease in net profits of Whampoa Textile Limited from 2001 to 2002 was mainly attributable to: (i) the decrease in gain on disposal of quota amounting to approximately HK\$6.8 million; and (ii) the increase in other operating expenses amounting to approximately HK\$6.1 million which was mainly resulted from the change of goodwill policy. The relatively low unaudited net profits of Whampoa Textile Limited for the six months

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

ended 30th September, 2002 on an annualised basis comparing with the year ended 31st March, 2002 were attributable to the seasonal factor of Whampoa Textile Limited that more profit was recognised in the second half of the financial year.

The audited consolidated NTA of Whampoa Textile Limited and its subsidiaries as at 31st March, 2002 was approximately HK\$6,619,000.

Hong Kong Knitters is a wholly owned subsidiary of Whampoa Textile Limited and has sourcing arrangements with Knitters Lanka, Yangtzekiang (Myanmar) and YGM (Cambodia). 50% of the issued share capital of Knitters Lanka are held by the Company and the remaining 50% are held by Sevenoaks. Yangtzekiang (Myanmar) and YGM (Cambodia) are wholly owned subsidiaries of the Company. Hong Kong Knitters receives commissions from Knitters Lanka, Yangtzekiang (Myanmar) and YGM (Cambodia) as consideration for the referral of manufacturing orders by Hong Kong Knitters. After the customers have placed manufacturing orders with Hong Kong Knitters, Hong Kong Knitters will place matching manufacturing orders with Knitters Lanka, Yangtzekiang (Myanmar) and YGM (Cambodia). Knitters Lanka, Yangtzekiang (Myanmar) and YGM (Cambodia) will manufacture the garment products and arrange for shipment of the same to the customers directly. The commission received by Hong Kong Knitters is in the range of 5% to 7% of the contract sum of the relevant manufacturing orders. The rate of the commission is determined in the light of the costs in providing the relevant sourcing arrangements on a case by case basis and is subject to review by Hong Kong Knitters, Knitters Lanka, Yangtzekiang (Myanmar) and YGM (Cambodia) from time to time according to the pricing of the relevant products. Upon the request by Knitters Lanka, Yangtzekiang (Myanmar) and YGM (Cambodia) and for the purpose of the said manufacturing orders, Hong Kong Knitters also purchases the relevant materials and supplies the same to Knitters Lanka, Yangtzekiang (Myanmar) and YGM (Cambodia) at the purchase costs of Hong Kong Knitters. Please refer to the Board's Letter for further details regarding the sourcing arrangements.

Reasons of the Whampoa Acquisition

The Company is currently interested in 75% of the issued share capital of Whampoa Textile Limited. After the Whampoa Acquisition, Whampoa Textile Limited will become a wholly-owned subsidiary of the Company. As stated in the Board's Letter, the Company believes that the Whampoa Acquisition will add synergistic value to the operation of the Group. Besides, 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.

Whampoa Textile Limited is profit making for the two years ended 31st March, 2002 and the six months ended 30th September, 2002. The Whampoa Acquisition will enhance the Group's revenue and earning base.

In view of: (i) the Whampoa Acquisition will enable the Company to take a full control on its business and entitle to full contributions from Whampoa Group which had profitable records of net profits after taxation of approximately HK\$12.5 million for the financial year ended 31st March, 2002 and approximately HK\$25.7 million for the financial year ended 31st March, 2001 respectively; and (ii) it avoids further administrative costs of the Company as various existing

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 (the necessary details of which have already been disclosed clearly in the Board's Letter), we concur with the Directors' opinion that the Whampoa Acquisition is in the interest of the Company and the Independent Shareholders as a whole.

Consideration for the Whampoa Acquisition

Pursuant to the Whampoa Agreement, the Company will acquire from CFICL 25% of the issued share capital of Whampoa Textile Limited for the consideration of HK\$5,000,000 ("Whampoa Consideration").

The Whampoa 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 Whampoa 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. We consider that it is appropriate to use "net assets value" and "price/earnings multiples" in accessing the fairness and reasonableness of the Whampoa Consideration.

Net assets value

The unaudited consolidated NTA of Whampoa Textile Limited as at 30th September, 2002 was approximately HK\$11.1 million. The Whampoa Consideration represents approximately 80.2% premium to 25% of the unaudited consolidated NTA of Whampoa Textile Limited as at 30th September, 2002. However, the Directors consider that it is reasonable to include the goodwill amounting to approximately HK\$8.8 million carried by Hong Kong Knitters as a result of the acquisition of HKK (Lesotho) in 2001 in the calculation of the consideration for the Whampoa Acquisition. After the adjustment of the goodwill to the net assets of Whampoa Textile Limited, the Whampoa Consideration represents approximately 0.5% premium to 25% of the adjusted consolidated net assets of Whampoa Textile Limited as at 30th September, 2002.

After discussion with the management of the Company, we understand that the production facilities owned by a subsidiary of HKK (Lesotho) are duty and quota free and provide strategic value to the Group in terms of lower cost and flexibility for exports mainly to the United States. Based on the strategic value of such production facilities, we consider that the premium to the HKK (Lesotho) is fair and reasonable so far as the Company and the Independent Shareholders are concerned. We also understand from the Directors that Whampoa Textile Limited has remained profitable since 30th September, 2002.

Price/earnings multiples

The Whampoa Consideration represents a price/earnings multiple of approximately 1.60 times the audited consolidated profit after taxation of the Whampoa Group for the year ended 31st March, 2002 (calculated based on the Whampoa Consideration on 100% basis (HK\$20,000,000) divided by the net profit after taxation of approximately HK\$12,531,000).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have reviewed the listed issuers, the shares of which are listed on the main board of the Stock Exchange and noted that the principal businesses of nine listed issuers engaged in similar business in the PRC and/or Hong Kong (collectively referred to as the “Relevant Companies”) are comparable to the Whampoa Group. The details of the Relevant Companies are as follows:

Name of the Relevant Companies (Stock code)	Principal businesses	Market capitalisation as at 24th March, 2003 <i>(in HK\$'000)</i>	Latest reported earnings <i>(in HK\$'000)</i>	Price/ earnings multiple as at 24th March, 2003
Winsor Industrial Corporation Ltd. (98)	Textile trading, manufacture, finishing; garment and knitwear manufacture; property investment; fund management; godown operation; cement, food, health products manufacture	446,659	37,641	11.87
Tak Sing Alliance Holdings Ltd. (126)	Manufacture, trading and distribution of garments, operation of restaurant business and property investment and development	175,821	30,966	5.68
Graneagle Holdings Ltd. (147)	Garment manufacture and trading	31,736	2,233	14.21
USI Holdings Ltd. (369)	Apparel manufacturing, trading and retailing, property holding, development and management, hospitality management and other investing activities	383,043	52,300	7.32
Tristate Holdings Ltd. (458)	Garment and textile manufacturing, trading and investment holding, property investment and management	362,793	91,022	3.99
Tungtex (Holdings) Co. Ltd. (518)	Manufacture and sale of garments	783,505	87,889	8.91
High Fashion International Ltd. (608)	Manufacture and trading of garments	276,132	101,880	2.71
Carry Wealth Holdings Ltd. (643)	Manufacture, export and trading of knit tops, woven bottoms and sweater tops	259,224	95,034	2.73
Pak Tak International Ltd. (2668)	Manufacture, on an OEM basis, and export of knitted garments mainly to the US and Europe; manufacture non-knitted garments for international airlines and non-knitted clothing for a retail store in the US.	89,833	44,107	2.04

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the closing price of the listed issuers as at the date of the announcement of the Company regarding the Acquisitions, the price/earnings multiples of the Relevant Companies ranged from approximately 2.04 times to 14.21 times, with the mean and median of approximately 6.61 times and 5.68 times respectively. The price/earnings multiple of approximately 1.60 times for the Whampoa Acquisition is substantially lower than the mean and median of the Relevant Companies and therefore we consider that the price/earnings multiple of the Whampoa Acquisition is fair and reasonable to the Company and the Independent Shareholders as a whole.

Based on (i) the Whampoa Consideration is close to the adjusted consolidated net assets of Whampoa Textile Limited as at 30th September, 2002 with minimal premium; (ii) the Whampoa Group has remained profitable since 30th September, 2002; and (iii) the price/earnings multiple of the Whampoa Acquisition is comparable with the Relevant Companies, we are of the view that the Whampoa Consideration is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Satisfaction of the Whampoa Consideration

The Company intends to fund the Whampoa Consideration from its internal resources. As stated in the interim report of the Company for the six months ended 30th September, 2002, the Group had unaudited net current liabilities of approximately HK\$21.3 million and unaudited NTA of approximately HK\$348.9 million as at 30th September, 2002. We understand from the management that the net current liabilities were resulted from the seasonal rise in business activities during peak season which increased the level of trust receipt loans of the Group. The Directors confirmed that by restructuring the short term financing into medium-term financing by banks to fit into their operational cycles and after the peak season, the working capital position of the Group would be improved. As at 30th September, 2002, the Group had cash and cash equivalents of approximately HK\$33.1 million. The Directors confirmed that the Company has sufficient internal resources to finance the Whampoa Acquisition.

In view of: (i) the Group had unaudited NTA amounting to approximately HK\$348.9 million as at 30th September, 2002; (ii) the working capital position of the Group would be improved by re-arranging the bank financing structure as mentioned above; and (iii) the Group had cash and cash equivalents of approximately HK\$33.1 million as at 30th September, 2002, we are of the opinion that the Group has sufficient resources to satisfy the Whampoa Consideration. We also consider that satisfaction of the Whampoa Consideration by internal resources, (i) will avoid any interest expenses under bank borrowings and dilution effect resulting from satisfaction of Whampoa Consideration by the issue of new shares of the Company; and (ii) is in the interests of the Company and the Independent Shareholders.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(II) THE KNITTERS LANKA ACQUISITION

Information about the Knitters Lanka

Knitters Lanka is engaged in garment manufacturing and is an associate of the Company. For the financial year ended 31st March, 2001, the net profit after taxation was approximately US\$123,000 (HK\$959,000). The net loss after taxation of Knitters Lanka for the financial year ended 31st March, 2002 was approximately (US\$472,000) ((HK\$3,682,000)). The unaudited net loss after taxation of Knitters Lanka for the six months ended 30th September, 2002 was approximately (US\$776,000) ((HK\$6,053,000)). The reasons for the loss of Knitters Lanka for the year ended 31st March, 2002 were the decrease in sales by approximately 16.2% and decrease in the gross profit margin from approximately 15.6% in 2001 to approximately 9.5% in 2002. The drop in gross profit margin was mainly attributable to the increase in quota expenses for the garments.

The audited consolidated net liability of Knitters Lanka as at 31st March, 2002 was approximately (US\$373,000) ((HK\$2,909,000)) and the unaudited consolidated net liability of Knitters Lanka as at 30th September, 2002 was approximately (US\$1,141,000) ((HK\$8,900,000)). The principal liabilities of Knitters Lanka as at 30th September, 2002 included amounts totalling approximately US\$1,500,000 due to a bank under certain banking facilities and amounts due to Hong Kong Knitters which arose as a result of normal trading activities with Hong Kong Knitters. The principal assets of Knitters Lanka are the production facilities in Sri Lanka which manufacture garments.

Reasons of the Knitters Lanka Acquisition

The Knitters Lanka Acquisition will enable the Group to increase its equity interest in Knitters Lanka by 50% at a nominal consideration of HK\$1 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.

The Company and Hong Kong Knitters receive a commission from Knitters Lanka as consideration for the referral of manufacturing orders by the Company and Hong Kong Knitters to Knitters Lanka. After the customers have placed manufacturing orders with the Company and Hong Kong Knitters, the Company and Hong Kong Knitters will place matching manufacturing orders with Knitters Lanka. Knitters Lanka will manufacture the garment products and arrange for shipment of the same to the customers directly. The commission received by the Company and Hong Kong Knitters is in the range of 5% to 7% of the contract sum of the relevant manufacturing orders. The rate of the commission is determined in the light of the costs in providing the relevant sourcing arrangements on a case by case basis and is subject to review by the Company and Hong Kong Knitters and Knitters Lanka from time to time according to the pricing of the relevant products. Upon Knitters Lanka's request and for the purpose of the said manufacturing orders, the Company and Hong Kong Knitters also purchase the relevant materials and supply the same to Knitters Lanka at the purchase costs of the Company and Hong Kong Knitters. The Company is

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

committed to re-engineer the current operations of Knitters Lanka after the Knitters Lanka Acquisition and will introduce a new pricing policy to enhance operational efficiency of Knitters Lanka. After the Knitters Lanka Acquisition, Knitters Lanka will act as a sub-contractor of the Company for processing the sales orders from the Group with reasonable profit margin only. The Company will bear the future purchase cost of the raw materials for manufacturing of garments by Knitters Lanka and the purchase of necessary export quotas. The major cost of Knitters Lanka will be streamlined to overhead costs for production.

We have discussed with the management of the Company for the benefit of the Knitters Lanka Acquisition. We understand from the Company that Knitters Lanka has production facilities in Sri Lanka which manufacture mid-to-high price garment products. The continuation of the production facilities in Sri Lanka will provide operating flexibility and elastic product range to the Group which are in the interests of the Group. After the adoption of the aforesaid re-engineering and introduction of new pricing policy including selection of orders with reasonable profit margin, the Company believes that Knitters Lanka will add synergistic value to the operations of the Group.

In view of: (i) there is a viable chance that Knitters Lanka Acquisition to add synergistic value to the operations of the Group by the aforesaid re-engineering and introduction of new pricing policy; (ii) the continuation of the production facilities in Sri Lanka will provide operating flexibility and elastic product range to the Group which are in the interests of the Group; and (iii) it helps to avoid further administrative costs of the Company as 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, we concur with the Directors' opinion that the Knitters Lanka Acquisition is in the interest of the Company and the Independent Shareholders as a whole.

Consideration for the Knitters Lanka Acquisition

Pursuant to the Knitters Lanka Agreement, the Company will acquire from Sevenoaks 50% of the issued share capital of Knitters Lanka for a nominal consideration in cash of HK\$1 ("Knitters Lanka Consideration"). The Knitters Lanka 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 Knitters Lanka 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.

As the net loss after taxation of Knitters Lanka for the financial year ended 31st March, 2002 was approximately (US\$472,000) ((HK\$3,682,000)), we consider that it is impracticable to use "price/earnings multiples" in accessing the fairness and reasonableness of the Knitters Lanka Consideration.

The unaudited consolidated net liability of Knitters Lanka as at 30th September, 2002 was approximately (US\$1,141,000) ((HK\$8,900,000)). The principal liabilities of Knitters Lanka as at 30th September, 2002 included amounts totalling approximately US\$1,500,000 due to a bank under certain banking facilities and amounts due to Hong Kong Knitters which arose as a result of

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

normal trading activities with Hong Kong Knitters. The Knitters Lanka Consideration represents approximately HK\$4.45 million premium to the 50% interests of Knitters Lanka as at 30th September, 2002. As the principal assets of Knitters Lanka are the production facilities in Sri Lanka which manufacture garments, we are of the view that the abovementioned premium can be considered as the premium in the purchase of production facilities with continuing production capability. As time and cost are required for the identification of new production facilities with similar capability, the continuation of the production facilities in Sri Lanka will provide operating flexibility and elastic product range to the Group which are in the interests of the Group. After the adoption of the aforesaid re-engineering and introduction of new pricing policy including selection of orders with reasonable profit margin, the Company believes that Knitters Lanka will add synergistic value to the operations of the Group. As Knitters Lanka will add synergistic value to the operations of the Group after the adoption of the re-engineering and introduction of new pricing policy, we are of the view that the premium in the purchase of production facilities is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Based on (i) the Knitters Lanka Consideration is priced at a nominal consideration of HK\$1 and the continuation of the production facilities in Sri Lanka will provide operating flexibility and elastic product range to the Group which are in the interests of the Group; and (ii) there is a viable chance that Knitters Lanka Acquisition to add synergistic value to the operations of the Group by the re-engineering and introduction of new pricing policy, we concur with the view of the Directors that the Knitters Lanka Consideration is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Satisfaction of the Knitters Lanka Consideration

As the Knitters Lanka Consideration is a nominal consideration of HK\$1, we are of the view that the Group has sufficient internal financial resources for the satisfaction of the Knitters Lanka Consideration. However, we have to consider the liabilities of Knitters Lanka as Knitters Lanka was in net liability of approximately (US\$1,141,000) ((HK\$8,900,000)) as at 30th September, 2002. Given the Group's financial position as stated in the paragraph headed "Satisfaction of the Whampoa Consideration" above, we consider that the Group has sufficient resources to settle the liabilities of Knitters Lanka.

Risk factor for the Knitters Lanka Acquisition

Despite that the continuation of the production facilities in Sri Lanka will provide operating flexibility and elastic product range to the Group, the benefits from the Knitters Lanka Acquisition is highly depending on the re-engineering and introduction of new pricing policy for Knitters Lanka. Independent Shareholders should note that in the case that Knitters Lanka cannot successfully implement the re-engineering and the new pricing policy, the operations and financial position of the Group may be adversely affected.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(III) FINANCIAL EFFECTS OF THE ACQUISITIONS TO THE GROUP

Net tangible assets

Upon completion of the Acquisitions, the pro forma unaudited consolidated NTA of the Group will be reduced by approximately HK\$6.7 million from approximately HK\$348.9 million (based on the unaudited consolidated NTA of the Group as at 30th September, 2002) to approximately HK\$342.2 million, representing a decrease of approximately 2%. The decrease in the Group's pro forma unaudited consolidated NTA is mainly attributed to the goodwill of HK\$6.7 million (based on the unaudited NTA of the Whampoa Group and Knitters Lanka as at 30th September, 2002) arisen from the Acquisitions. As no new shares of the Company will be issued for the satisfaction of the consideration of the Acquisitions, the NTA per Share will be also decreased by approximately 2% from approximately HK\$2.49 before the Acquisitions to approximately HK\$2.44 after the Acquisitions. Given that the decrease in NTA of the Group is not significant and the viable positive impact to the Group's earnings as stated below, we consider that such reduction resulting from the Acquisitions will not have material impact on the consolidated NTA of the Group.

Earnings

For the financial year ended 31st March, 2002, the Group recorded net profit from ordinary activities after taxation and minority interests of approximately HK\$27.6 million. The Group recorded net profit from ordinary activities after taxation and minority interests of approximately HK\$17.6 million for the six months ended 30th September, 2002.

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 six months ended 30th September, 2002, the unaudited net profits before and after taxation of Whampoa Textile Limited were approximately HK\$3,967,000 and HK\$2,440,000 respectively. The net loss after taxation of Knitters Lanka for the financial year ended 31st March, 2002 was approximately (US\$472,000) ((HK\$3,682,000)). The unaudited net loss after taxation of Knitters Lanka for the six months ended 30th September, 2002 was approximately (US\$776,000) ((HK\$6,053,000)).

The Directors have estimated that the goodwill arisen from the Acquisitions is approximately HK\$6.7 million based on the NAV of the Whampoa Group and Knitters Lanka as at 30th September, 2002. The Directors have yet to be finalised the number of years for the amortisation of goodwill with the auditors of the Group but in any event would not exceed 20 years. Comparing with the net profit of the Group for the year ended 31st March, 2002 amounting to approximately HK\$27.6 million, we concur with the view of the Directors that the amortisation of goodwill would not have material impact to the future earnings of the Group.

In view of: (i) the Whampoa Acquisition will enable the Company to take a full control on its business and entitle to full contributions from Whampoa Group which had profitable records of net profits after taxation of approximately HK\$12.5 million for the financial year ended 31st March, 2002 and approximately HK\$25.7 million for the financial year ended 31st March, 2001

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

respectively; (ii) the Company is committed to re-engineer the current operations of Knitters Lanka; and (iii) it avoids further administrative costs of the Company as various existing transactions between the Group and members of the Whampoa 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 Acquisitions, we concur with the Directors' opinion that the Acquisitions will have positive impact to the earnings of the Group.

Working capital

The consideration for the Acquisitions is HK\$5,000,001. The Company intends to fund such consideration from its internal resources. The Directors confirmed that the Company has sufficient internal resources to finance the Acquisitions.

As stated in the interim report of the Company for the six months ended 30th September, 2002, the Group had unaudited net current liabilities of approximately HK\$21.3 million and unaudited NTA of approximately HK\$348.9 million as at 30th September, 2002. We understand from the management that the net current liabilities were resulted from the seasonal rise in business activities which increased the level of trust receipt loans of the Group. The Directors confirmed that by restructuring the short term financing into medium-term financing by banks to fit into their operational cycles and after the peak season, the working capital position of the Group would be improved. As at 30th September, 2002, the Group had cash and cash equivalents of approximately HK\$33.1 million. In view of: (i) the Group had unaudited NTA amounting to approximately HK\$348.9 million as at 30th September, 2002; (ii) the working capital position of the Group would be improved by re-arranging the bank financing structure; and (iii) the Group had cash and cash equivalents of approximately HK\$33.1 million as at 30th September, 2002, we are of the opinion that the Group has sufficient resources to satisfy the consideration of the Acquisitions.

RELATED PARTIES TRANSACTIONS

Independent Shareholders should note that there are various Related Parties Transactions between the Group, the Whampoa Group and Knitters Lanka. After the completion of the Acquisitions, the Related Parties Transactions 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 in the Board's Letter are concerned.

As stated in the Board's Letter, the Company has engaged Messrs Sum, Arthur & Co., Independent Certified Public Accountants, 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 Messrs Sum, Arthur & Co. dated 6th September, 2002, 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Independent Shareholders should note that in the course of considering the fairness and reasonableness of the Acquisitions, we have not independently reviewed the fairness and reasonableness of the Related Parties Transactions as any benefits and/or disadvantages among the Company, the Whampoa Group and Knitters Lanka under the Related Parties Transactions will be fully offset in the Group level upon consolidation after the Acquisitions. Please refer to the Board's Letter for further details of the Related Parties Transactions.

RECOMMENDATION

Taking into consideration of the above principal factors and reasons of the Acquisitions, we are of the view that the Acquisitions are in the interests of the Company and the Independent Shareholders as a whole and the terms and conditions of the Agreements are fair and reasonable so far as the Independent Shareholders are concerned. We therefore advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM for the approval of the Acquisitions at the EGM.

Yours faithfully,
For and on behalf of
Hantec Capital Limited
Thomas Lai
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 with regard to the Company and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein this Circular misleading.

2. DISCLOSURE OF INTERESTS

- (a) As at the Latest Practicable Date, the interests and short positions of the Directors and the Company's chief executive in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance) 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 under section 352 of the SFO were as follows:

Interests in Shares

Name of Director	Number of Ordinary Shares of HK\$0.50 each			
	Personal interests	Family interests	Corporate interests	Other interests
Chan Sui Kau	4,216,464	2,666,236	3,740,820	(i)(a)
Chan Wing Fui, Peter	324,068	56,000	–	(i) & (ii)
Chan Wing Kee	1,174,416	138,904	–	(i) & (ii) & (iii)
Chan Wing To	1,956,036	–	–	(i) & (ii) & (iii)
Chan Wing Sun, Samuel	7,496	–	–	(i) & (ii)
Yeung Wing Tak	1,446,200	–	265,364	–
Chan Wing Chak, David	21,792	–	1,520,000	(i)(a) & (iii)
Chan Suk Ling, Shirley	1,152,544	16,000	–	(i)
Chan Suk Man	1,023,420	62,208	–	(i) & (iii)
Leung Hok Lim	–	–	–	–
Wong Lam	–	–	–	–

Notes:

- (i) (a) An aggregate of 19,827,808 shares of the Company were held under various trusts and companies established for the benefit of members of the Chan family including Messrs Chan Sui Kau, Chan Wing Fui Peter, Chan Wing Kee, Chan Wing To, Chan Wing Sun Samuel and Chan Wing Chak David, Madam Chan Suk Ling Shirley and Madam Chan Suk Man.
- (b) 34,595,908 shares of the Company were held by Joycome Limited, which is beneficially owned by certain Directors of the Company, namely, Messrs Chan Wing Fui Peter, Chan Wing Kee, Chan Wing To, Chan Wing Sun Samuel, Madam Chan Suk Ling Shirley and Madam Chan Suk Man.

- (ii) 1,574,480 shares of the Company were held by Hearty Development Limited which is beneficially owned by Messrs Chan Wing Fui Peter, Chan Wing Kee, Chan Wing To and Chan Wing Sun Samuel.
- (iii) 1,589,000 shares of the Company were held by Super Team International Limited which is beneficially owned by Messrs Chan Wing Kee, Chan Wing To, Chan Wing Chak David, Madam Chan Suk Man and certain members of the Chan family.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors nor 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 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 in 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) Save as disclosed in this Circular, none of the Directors, as at the Latest Practicable Date, had any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31st March, 2002, the date to which the latest published audited financial statements of the Company were made up.
- (c) As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which was significant in relation to the business of the Group.

3. SUBSTANTIAL SHAREHOLDING

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

4. LITIGATION

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and, so far as the Directors are aware, no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

5. SERVICE CONTRACTS

There is no existing or proposed service contract between any of the Directors and the Company or any of its subsidiaries, other than contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

6. EXPERT

Hantec Capital Limited, a licensed corporation under the SFO, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its letter dated 14th April, 2003 as set out in this Circular and references to its name in the form and context in which it appears.

Messrs Sum, Arthur & Co., Certified Public Accountants, has given and has not withdrawn its written consent to make its report dated 6th September, 2002 available for inspection in the manner set out in paragraph 9 in this Appendix and to the inclusion of references to its name in the form and context in which it appears.

As at the Latest Practicable Date, neither Hantec Capital Limited nor Messrs Sum, Arthur & Co. has any shareholding in any member of the Group nor the right (whether legally enforceable or not) to subscribe for or to nominate any person to subscribe for securities in any members of the Group.

As at the Latest Practicable Date, neither Hantec Capital Limited nor Messrs Sum, Arthur & Co. has had any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31st March, 2002, the date to which the latest published audited financial statements of the Company were made up.

7. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31st March, 2002, the date to which the latest published audited financial statements of the Company were made up.

8. GENERAL

- (i) The secretary of the Company is Madam Hui Sau Ling.
- (ii) The registered office of the Company is at 22 Tai Yau Street, San Po Kong, Kowloon, Hong Kong.
- (iii) The share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (iv) 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 Johnson Stokes & Master at 17th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong during normal business hours up to and including Monday, 5th May, 2003:

- (a) the Whampoa Agreement;
- (b) the Knitters Lanka Agreement;
- (c) the letter from the Independent Board Committee, the text of which is set out on page 18 of this Circular;
- (d) the letter from the Independent Financial Adviser, the text of which is set out on pages 19 to 30 of this Circular;
- (e) the written consent of the Independent Financial Adviser and Messrs Sum, Arthur & Co. referred to in paragraph 6 in this Appendix; and
- (f) the report of Messrs Sum, Arthur & Co. dated 6th September, 2002.

NOTICE OF EXTRAORDINARY GENERAL MEETING

長江製衣廠有限公司

YANGTZEKIANG GARMENT MANUFACTURING COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of the shareholders of YangtzeKiang Garment Manufacturing Company Limited (the “Company”) will be held at 22 Tai Yau Street, San Po Kong, Kowloon, Hong Kong on Monday, 5th May, 2003 at 10:30 a.m. for the purpose of considering and, if it thought fit, passing (with or without amendments) the following resolution:

ORDINARY RESOLUTION

“THAT:

- (a) the Whampoa Agreement (as defined in the Circular to the shareholders of the Company dated 14th April, 2003 (the “Circular”), a copy of which has been produced to this meeting marked “A” and signed by the Chairman hereof for the purpose of identification) and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;
- (b) the Knitters Lanka Agreement (as defined in the Circular to the shareholders of the Company dated 14th April, 2003 (the “Circular”), a copy of which has been produced to this meeting marked “B” and signed by the Chairman hereof for the purpose of identification) and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified; and
- (c) any one of the directors of the Company be and is hereby authorised to do all such further acts and things and sign, execute and deliver all such documents and take all such actions which in his opinion may be necessary, desirable or expedient to implement and/or give effect to the Whampoa Agreement and the Knitters Lanka Agreement and the transactions contemplated thereunder.”

By Order of the Board

Hui Sau Ling

Secretary

Hong Kong, 14th April, 2003

Registered Office:

22 Tai Yau Street

San Po Kong

Kowloon

Hong Kong

NOTICE OF EXTRAORDINARY GENERAL MEETING

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 on his/her behalf. 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/she 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.