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YangtzeKiang Garment
Manufacturing Company Limited **YGM Trading Limited**
(Incorporated in Hong Kong with limited liability) *(Incorporated in Hong Kong with limited liability)*

CONTINUING CONNECTED TRANSACTION
GARMENT SALES BY
YANGTZEKIANG GARMENT GROUP
TO YGM TRADING GROUP

YangtzeKiang Garment Group sells garment products (such as shirts and knit wear products) from time to time to YGM Trading Group on an order by order basis for trading purposes. As the Chan Family is the controlling shareholder (as defined in the Listing Rules) of the Companies, the Transactions constitute connected transactions for YangtzeKiang Garment and YGM Trading under the Listing Rules. Details of the Transactions had been disclosed in joint announcements of the Companies dated 10th August, 2000 and 16th October, 2002 respectively.

In August, 2000, the Companies applied to the Stock Exchange for a waiver from strict compliance with Rule 14.26 of the Listing Rules for three financial years ended on 31st March, 2002 in respect of the Transactions. Waivers were granted by the Stock Exchange to YangtzeKiang Garment subject to a cap amount of 12% of its latest published audited consolidated NTA and to YGM Trading subject to a cap amount of 8% of its latest published audited consolidated NTA respectively.

In October, 2002, the Companies applied again to the Stock Exchange for a waiver from strict compliance with Rule 14.25(1) of the Listing Rules in respect of the Transactions. Waivers were granted by the Stock Exchange to YangtzeKiang Garment subject to a cap amount of 3% of its latest published audited consolidated NTA and to YGM Trading subject to a cap amount of 1.5% of its latest published audited consolidated NTA respectively.

As a result of the reduction in the NTA of YGM Trading after two dividend payments in January, 2003 and August, 2003 and an expected increase in the trading volume of the Transactions in the near future, the respective cap amounts to which the waivers granted in October, 2002 are subject may be exceeded in the financial year of the Companies ending 31st March, 2004 and thereafter. Since it is expected that the aggregate amount of the Transactions may exceed the higher of HK\$10 million or 3% of the book value of the NTA of YangtzeKiang Garment and YGM Trading respectively in the future, the Transactions will be subject to the disclosure and Independent Shareholders' approval requirements under Rule 14.26 of the Listing Rules.

The Companies have applied to the Stock Exchange for waivers from strict compliance with the disclosure and Independent Shareholders' approval requirements under Rule 14.26 of the Listing Rules on each occasion when the Transactions occur subject to the conditions set out below. The Companies will seek the Independent Shareholders' approval in relation to the Transactions at an EGM. A circular containing details of the Transactions together with the advice of the Independent Financial Adviser and a notice convening an EGM of YangtzeKiang Garment or YGM Trading (as the case may be) approving the Transactions will be despatched to the shareholders of YangtzeKiang Garment and YGM Trading respectively as soon as possible.

GARMENT SALES BY YANGTZEKIANG GARMENT GROUP TO YGM TRADING GROUP

YangtzeKiang Garment Group sells garment products (such as shirts and knit wear products) from time to time to YGM Trading Group on an order by order basis for trading purposes. The Transactions have been and will continue to be conducted on prices and terms no less favourable than those given to independent third party purchasers and suppliers.

The prices and terms of these garment sales and purchases have been agreed after arm's length negotiations between the Groups in the light of the particular type of garment products involved. The aggregate amount of the Transactions during each of the three financial years ended 31st March, 2003 and the respective approximate percentage figures in terms of the audited consolidated NTA of YangtzeKiang Garment and YGM Trading as at the relevant financial year end are set out below:

Year ended 31st March,	Aggregate Amount HK\$'000	YangtzeKiang Garment		YGM Trading	
		Consolidated NTA HK\$'000	Approx. %	Consolidated NTA HK\$'000	Approx. %
2001	11,669	342,133#	3.41	556,572#	2.10
2002	13,496	344,743	3.91	724,416	1.86
2003	10,585	356,886	2.97	448,701	2.36

The NTA of the Companies as at 31st March, 2001 has been adjusted as a result of the change in the accounting policy for dividends in order to comply with Statement of Standard Accounting Practice 9 (revised) issued by the Hong Kong Society of Accountants which became effective for accounting periods commencing on or after 1st January, 2001.

Details of the Transactions had been disclosed in joint announcements of the Companies dated 10th August, 2000 and 16th October, 2002 respectively.

In August, 2000, the Companies applied to the Stock Exchange for a waiver from strict compliance with Rule 14.26 of the Listing Rules for three financial years ended on 31st March, 2002 in respect of the Transactions. Waivers were granted by the Stock Exchange to Yangtzekiang Garment subject to a cap amount of 12% of its latest published audited consolidated NTA and to YGM Trading subject to a cap amount of 8% of its latest published audited consolidated NTA respectively.

In October, 2002, the Companies applied again to the Stock Exchange for a waiver from strict compliance with Rule 14.25(1) of the Listing Rules in respect of the Transactions. Waivers were granted by the Stock Exchange to Yangtzekiang Garment subject to a cap amount of 3% of its latest published audited consolidated NTA and to YGM Trading subject to a cap amount of 1.5% of its latest published audited consolidated NTA respectively.

The audited consolidated NTA of YGM Trading as at 31st March, 2002 was HK\$724,416,000. After two special dividend payments made by YGM Trading in January, 2003 and August, 2003 respectively, the consolidated NTA of YGM Trading reduced to HK\$448,701,000 as at 31st March, 2003 and further to HK\$301,701,000 as at 31st August, 2003.

Apart from the said special dividend payments of YGM Trading, the Companies also see an increasing demand for garment products in the PRC market in the near future after taking into account the orders recently placed with YGM Trading Group. Accordingly, the respective cap amounts to which the waivers granted in October, 2002 are subject, namely 3% and 1.5% of the respective audited consolidated NTA of Yangtzekiang Garment and YGM Trading, may be exceeded in the financial year of the Companies ending 31st March, 2004 and thereafter. Since it is expected that the aggregate amount of the Transactions during the financial years to come may exceed the higher of HK\$10 million or 3% of the book value of the NTA of Yangtzekiang Garment and YGM Trading respectively, the Transactions will be subject to the disclosure and Independent Shareholders' approval requirements under Rule 14.26 of the Listing Rules.

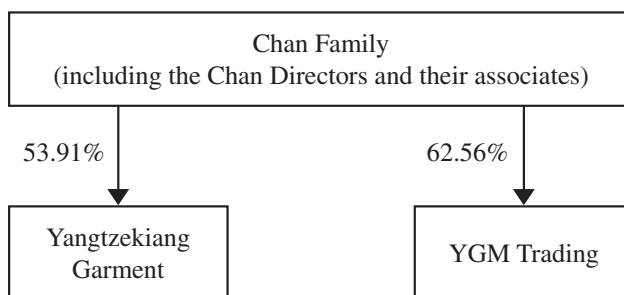
The Companies have applied to the Stock Exchange for waivers from strict compliance with the disclosure and Independent Shareholders' approval requirements under Rule 14.26 of the Listing Rules on each occasion when the Transactions occur subject to the conditions set out below. Yangtzekiang Garment and YGM Trading have proposed new cap amounts of 8% and 8.5% of their latest published audited consolidated NTA respectively in relation to such sales and purchases.

PRINCIPAL BUSINESS OF YANGTZEKIANG GARMENT GROUP AND YGM TRADING GROUP AND CONNECTION BETWEEN THEM

The principal businesses of Yangtzekiang Garment Group are manufacturing and sale of garment products.

The principal businesses of YGM Trading Group are manufacturing, retail and wholesale of world-renowned apparel and accessories, property investment and printing.

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



As the Chan Family is beneficially interested in shares representing approximately 53.91% and approximately 62.56% of the issued share capital of Yangtzekiang Garment and YGM Trading respectively, each of Yangtzekiang Garment and YGM Trading is a connected person of the other for the purpose of the Listing Rules.

BENEFITS OF THE TRANSACTIONS

The Companies have entered into and carried out the Transactions in their ordinary course of business and on normal commercial terms. The Transactions provide (in so far as Yangtzekiang Garment Group is concerned) an additional purchaser of its garment products and (in so far as YGM Trading Group is concerned) an additional source of garment products. Accordingly, the directors of the Companies believe that the continuation of the Transactions will provide commercial flexibility to both Groups. The directors of the Companies (including their respective Independent Non-executive Directors) consider the terms of the Transactions fair and reasonable in so far as their respective Independent Shareholders are concerned and are in the interest of the Companies and their respective Independent Shareholders as a whole.

DISCLOSURE REQUIREMENTS AND WAIVERS SOUGHT

The directors of the Companies (including their respective Independent Non-executive Directors) consider that due compliance with the disclosure and shareholders approval requirements under Rule 14.26 with respect to the Transactions on each occasion when any of them arises, would be impracticable and unduly onerous. The Companies have therefore applied to the Stock Exchange for waivers from strict compliance with the disclosure and shareholders' approval requirements under Rule 14.26 of the Listing Rules for the three financial years ending 31st March, 2006 with respect to the Transactions on the basis of the following conditions:

1. the Transactions shall be:
 - (a) entered into by Yangtzekiang Garment Group and YGM Trading Group in the ordinary and usual course of their respective business;

- (b) conducted either on normal commercial terms (which expression will be applied by reference to transactions of a similar nature and to be made by similar entities) or where there is no available comparison, on terms that are fair and reasonable so far as the Independent Shareholders of Yangtzekiang Garment and YGM Trading are concerned; and
- (c) entered into in accordance with the terms of the agreements governing the transactions;
2. the aggregate amount of the Transactions for each financial year shall not exceed the following respective cap amounts (the “Cap Amounts”) of the latest published audited consolidated NTA of Yangtzekiang Garment Group and YGM Trading Group in that financial year:

Cap Amount

- | | |
|--------------------------|------|
| (a) Yangtzekiang Garment | 8% |
| (b) YGM Trading | 8.5% |
3. the respective Independent Non-executive Directors of the Companies shall review annually the Transactions and confirm in the next annual report of the Companies respectively that such Transactions were conducted in the manner as stated in paragraphs 1 and 2 above;
4. the auditors of the Companies shall review the Transactions annually and confirm to the respective directors of the Companies in a letter, a copy of which shall be provided to the Stock Exchange, whether:
- (a) the Transactions have received the approval of the respective Board of Directors of the Companies;
- (b) the Transactions have been entered into in accordance with the terms of the agreements governing the Transactions;
- (c) the relevant Cap Amount has been exceeded in the relevant financial year; and
- (d) the Transactions are in accordance with the pricing policies, if any, of the Companies, where, for whatever reasons, the auditors of the Companies decline to accept the engagement or are unable to provide the auditors’ letters, the respective directors of the Companies shall contact the Stock Exchange immediately;
5. details of the Transactions in each financial year shall be disclosed in the annual reports of the Companies as set out in Rule 14.25(1)(A) to (D) of the Listing Rules for that financial year together with a statement of the respective opinion of the Independent Non-executive Directors of the Companies referred to in paragraph 3 above; and
6. the Companies shall provide to the Stock Exchange an undertaking that, for so long as their respective shares are listed on the Stock Exchange, they will provide their auditors with full access to their relevant records for the purpose of the auditors’ review of the Transactions referred to in paragraph 4 above.

If any terms of the Transactions are altered or if the Companies enter into any new agreements with any connected persons (within the meaning of the Listing Rules) in the future, the Companies will take immediate steps to ensure compliance with the relevant disclosure and/or shareholders’ approval requirements under Chapter 14 of the Listing Rules governing connected transactions.

GENERAL

The Companies will seek the Independent Shareholders’ approval in relation to the Transactions at the EGM. The Chan Family and its associates (as defined under the Listing Rules) shall abstain from voting at the EGM. An Independent Financial Adviser will be appointed to advise whether the terms of the Transactions are fair and reasonable. A circular containing, inter alia, details of the Transactions together with the advice of the Independent Financial Adviser and a notice of the EGM to be convened for the purpose of approving the Transactions will be despatched to the shareholders of Yangtzekiang Garment and YGM Trading respectively as soon as possible.

DEFINITIONS

“Chan Directors”	Messrs. Chan Sui Kau, Chan Wing Fui Peter, Chan Wing Kee, Chan Wing Sun Samuel, Chan Wing To and Madam Chan Suk Ling Shirley
“Chan Family”	Chan Directors and their associates (as defined under the Listing Rules)
“Companies”	collectively, Yangtzekiang Garment and YGM Trading
“EGM”	extraordinary general meeting
“Groups”	collectively, Yangtzekiang Garment Group and YGM Trading Group
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Shareholders”	the shareholders of Yangtzekiang Garment and/or YGM Trading, other than the Chan Family and its associates (as defined under the Listing Rules)
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“NTA”	net tangible assets
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transactions”	the sales of garment products by Yangtzekiang Garment Group to YGM Trading Group as described in this announcement
“Yangtzekiang Garment”	Yangtzekiang Garment Manufacturing Company Limited, the shares of which are listed on the Stock Exchange
“Yangtzekiang Garment Group”	Yangtzekiang Garment and its subsidiaries

“YGM Trading” YGM Trading Limited, the shares of which are listed on the Stock Exchange
“YGM Trading Group” YGM Trading and its subsidiaries
“HK\$” Hong Kong dollars
“%” per cent.

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

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

Hong Kong, 12th November, 2003

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