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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in YangtzeKiang Garment Manufacturing Company Limited, you should at once hand this circular and the accompanying proxy form to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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長江製衣廠有限公司

YANGTZEKIANG GARMENT MANUFACTURING COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 294)

**PROPOSALS RELATING TO
ADOPTION OF NEW SHARE OPTION SCHEME,
GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES,
AMENDMENTS TO THE ARTICLES OF ASSOCIATION
and
NOTICE OF ANNUAL GENERAL MEETING**

A notice convening the annual general meeting of YangtzeKiang Garment Manufacturing Company Limited (the "Company") to be held at Function Room-Cherry, InterContinental Hong Kong, 18 Salisbury Road, Kowloon, Hong Kong on Monday, 20th September, 2004 at 2:30 p.m. (the "AGM") is set out on pages 19 to 28 of this circular.

Whether or not you are able to attend the AGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the registered office of the Company at 22 Tai Yau Street, San Po Kong, Kowloon, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the AGM or any adjourned meeting thereof should you so wish.

26th August, 2004

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DEFINITIONS

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

“AGM”	the annual general meeting of the Company to be held at Function Room-Cherry, InterContinental Hong Kong, 18 Salisbury Road, Kowloon, Hong Kong on Monday, 20th September, 2004 at 2:30 p.m., notice of which is set out on pages 19 to 28 of this circular;
“Articles of Association”	the articles of association of the Company;
“Associate”	has the same meaning ascribed thereto in the Listing Rules;
“Board”	the board of Directors;
“Business Day”	any day on which the Stock Exchange is open for the business of dealing in securities;
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong);
“Company”	YangtzeKiang Garment Manufacturing Company Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange;
“Director(s)”	the director(s) of the Company;
“Eligible Employee”	any employee (whether full time or part time employee, including any executive directors but not any non-executive director) of the Company, its Subsidiaries or any Invested Entity;
“Eligible Participant(s)”	any person(s) belonging to any of the following classes of participants: <ul style="list-style-type: none">(a) any Eligible Employee;(b) any non-executive director (including independent non-executive directors) of the Company, its Subsidiaries or any Invested Entity;(c) any supplier of goods or services to any member of the Group or any Invested Entity;(d) any customer of the Group or any Invested Entity;(e) any person or entity that provides research, development or technological support or other services to the Group or any Invested Entity; and(f) any shareholder or any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;
“Expired Share Option Scheme”	the share option scheme of the Company which was adopted by the Company on 22nd January, 1991 but expired on 21st January, 2001 pursuant to the terms thereof;
“General Scheme Limit”	the total number of Shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any other share option scheme of the Company and which must not in aggregate exceed 10 per cent. of the Shares in issue as at the date of the passing of the relevant ordinary resolution for the approval of the New Share Option Scheme;

DEFINITIONS

“Group”	the Company and its Subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Invested Entity”	any entity in which any member of the Group holds any equity interest;
“Latest Practicable Date”	24th August, 2004, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“New Share Option Scheme”	the new share option scheme proposed to be adopted by the Company at the AGM, a summary of the principal terms of which is set out in Appendix I to this circular;
“Option(s)”	option(s) granted under the Expired Share Option Scheme or under the New Share Option Scheme, as the context may otherwise require;
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	ordinary share(s) of HK\$0.50 each in the capital of the Company;
“Shareholder(s)”	holder(s) of Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subsidiary”	has the same meaning ascribed thereto in the Listing Rules; and
“%”	per cent.

LETTER FROM THE CHAIRMAN

長江製衣廠有限公司

YANGTZEKIANG GARMENT MANUFACTURING COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 294)

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**
Lin Keping**

Registered Office:

22 Tai Yau Street
San Po Kong
Kowloon
Hong Kong

* *Non-executive Director*

** *Independent Non-executive Directors*

26th August, 2004

To the Shareholders

Dear Sir or Madam,

**PROPOSALS RELATING TO
ADOPTION OF NEW SHARE OPTION SCHEME,
GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES,
AMENDMENTS TO THE ARTICLES OF ASSOCIATION
and
NOTICE OF ANNUAL GENERAL MEETING**

INTRODUCTION

The purpose of this circular is to give you information on the following matters to be dealt with at the forthcoming AGM: (i) the adoption of the New Share Option Scheme; (ii) the grant to the Directors of general mandates for the issue of Shares and the repurchase of Shares; (iii) the proposed amendments to the Articles of Association and (iv) the re-election of Directors.

ADOPTION OF THE NEW SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at an extraordinary general meeting of the Company held on 22nd January, 1991, the Company had adopted the Expired Share Option Scheme which expired on 21st January, 2001 pursuant to the terms thereof.

As at the Latest Practicable Date, no Options entitling holders thereof to subscribe for new Shares remained outstanding. Save as disclosed above, the Group does not have any other subsisting share option scheme.

In this connection, the Board considers that it is in the interests of the Company to adopt the New Share Option Scheme which allows multiple classes of persons and/or entities to be the Eligible Participants and contains terms which are in compliance with the requirements of Chapter 17 of the Listing Rules now in force.

LETTER FROM THE CHAIRMAN

At the AGM, an ordinary resolution will be proposed to the Shareholders to approve the adoption of the New Share Option Scheme pursuant to which the Eligible Participants may be granted Options to subscribe for new Shares upon and subject to the terms and conditions of the rules of the New Share Option Scheme.

Based on the issued share capital of 140,245,792 Shares as at the Latest Practicable Date and assuming no further Shares will be issued or repurchased by the Company on or before the date of the AGM, Options entitling holders thereof to subscribe for up to 14,024,579 new Shares, representing 10% of the then issued share capital of the Company, may be issued to the Eligible Participants under the New Share Option Scheme under Rule 17.03(3) of the Listing Rules, should the New Share Option Scheme be adopted.

A summary of the principal terms of the New Share Option Scheme which is proposed to be approved and adopted by the Company at the AGM is set out in Appendix I to this circular. A copy of the rules of the New Share Option Scheme is available for inspection at the registered office of the Company at 22 Tai Yau Street, San Po Kong, Kowloon, Hong Kong during normal business hours from the date hereof up to the date of the AGM.

Conditions of the adoption of the New Share Option Scheme

The New Share Option Scheme is conditional upon:

- (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, any new Shares which may fall to be issued and allotted upon the exercise of the Options that may be granted under the New Share Option Scheme; and
- (ii) the passing of an ordinary resolution at the AGM approving the adoption of the New Share Option Scheme.

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares which may fall to be issued and allotted pursuant to the exercise of any Options that may be granted under the New Share Option Scheme.

Reasons for adopting the New Share Option Scheme

The purpose of the New Share Option Scheme is to provide incentives or rewards to the Eligible Participants for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any Invested Entity.

Under the rules of the New Share Option Scheme, the Board has discretion to set a minimum period for which an Option has to be held or other restrictions before the exercise of the subscription rights attaching thereto. This discretion allows the Board to provide incentive to an Eligible Participant to remain as an Eligible Participant and thereby enable the Group or the relevant Invested Entity to continue to benefit from the services and contributions of such Eligible Participant. This discretion, coupled with the power of the Board to impose any performance target or other restrictions as it considers appropriate before any Option can be exercised, enable the Group to provide incentives to the Eligible Participants to use their best endeavours in assisting the growth and development of the Group. Although the New Share Option Scheme does not provide for the granting of Options with rights to subscribe for Shares at a discount to the traded prices of the Shares on the Stock Exchange, the Directors are of the view that the flexibility given to the Board in granting Options to Eligible Participants and imposing minimum period for which the Options have to be held and performance targets and other conditions that have to be achieved before the Options can be exercised, will place the Group in a better position to attract human resources that are valuable to the growth and development of the Group.

Value of all Options that can be granted under the New Share Option Scheme

The Directors consider that it is not appropriate to state the value of all the Options that can be granted under the New Share Option scheme as if they had been granted as at the Latest Practicable Date prior to the approval of the New Share Option Scheme given that the variables which are critical for the calculation of the value of such Options cannot be determined. The variables which are critical for the determination of the value of such Options include, among other things, (i) the subscription price for the Shares upon the exercise of the subscription rights attaching to the Options, (ii) whether or not Options will be granted under the New Share Option Scheme and the timing of the granting of such Options, (iii)

LETTER FROM THE CHAIRMAN

the period during which the subscription rights may be exercised, (iv) the discretion of the Board to impose any performance target that has to be achieved before the subscription right attaching to the Options can be exercised and any other conditions that the Board imposed on the Options, and (v) whether or not such Options if granted will be exercised by the Eligible Participants. The subscription price payable for the Shares depends on the price of the Shares as quoted on the Stock Exchange, which in turn depends on when the Board is to grant Options under the New Share Option Scheme. With a scheme life of ten years, the Board is of the view that it is too premature to state whether or not Options will be granted under the New Share Option Scheme, and if so, the number of Options that may be granted. It is also difficult to ascertain with accuracy the subscription price of the Shares given the volatility the Share price may be subject to during the 10-year life span of the New Share Option Scheme. In the circumstances, the Directors are of the view that the value of the Options depends on a number of variables which are either difficult to ascertain or can only be ascertained subject to a number of theoretical basis and speculative assumptions. Accordingly, the Directors believed that any calculation of the value of the Options will not be meaningful and may be misleading to the Shareholders in the circumstances.

GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

At the last annual general meeting of the Company held on 22nd August, 2003, ordinary resolutions were passed to grant the general mandates to the Directors to repurchase Shares and issue Shares. These general mandates will lapse at the conclusion of the AGM.

The Directors believe that renewal of such mandates is in the interest of the Company and Shareholders. Accordingly, ordinary resolutions will be proposed at the AGM to grant to the Directors a general mandate to (i) allot, issue and deal with Shares not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of the relevant resolution; (ii) allot, issue and deal with Shares, including the aggregate nominal amount of Shares repurchased by the Company under the Repurchase Mandate as mentioned in (iii) (the mandates referred to in (i) and (ii) are collectively referred to as the “Issue Mandates”); and (iii) repurchase, inter alia, Shares, the aggregate nominal amount of which does not exceed 10% of the aggregate nominal amount of the issued share capital of the Company at the date of passing such resolution (the “Repurchase Mandate”).

An explanatory statement containing the particulars required by section 49BA(3)(b) of the Companies Ordinance and the Listing Rules to provide Shareholders with all the information reasonably necessary for them to make an informed decision on whether to vote for or against the ordinary resolution approving the general mandate to repurchase Shares is set out in the Appendix II to this circular.

The full text of the ordinary resolutions to be proposed at the AGM in relation to the general mandates to issue and repurchase Shares is set out in resolutions 5.1 to 5.3 in the notice of the AGM on pages 19 to 28 of this circular.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

With the commencement of the SFO on 1st April, 2003, the Securities and Futures (Clearing Houses) Ordinance (Chapter 420 of the Laws of Hong Kong) (the “repealed Ordinance”) was repealed. As the existing Articles of Association have made reference to the repealed Ordinance, the Directors propose to amend the existing Articles of Association so as to bring them in line with the changes brought upon by the enactment of the SFO. The purposes of the other proposed changes to the existing Articles of Association of the Company are summarised below.

The Companies (Amendment) Ordinance 2003 (the “Amendment Ordinance”) came into operation on 13th February, 2004 (except sections 158C(1)(a) and (b)). Major changes brought about by the amendments include removal of a director by ordinary resolution notwithstanding any provision in the company’s articles of association (or equivalent document) and that a director shall be vicariously liable for torts committed by his alternate unless stipulated otherwise in the articles of association (or equivalent documents). A company is also allowed to purchase and maintain for any of its officers and auditors insurance against certain types of liability to the company or a related company.

Besides, according to the relevant amendments to the Listing Rules which became effective in early 2002, the Company, in accordance with the applicable laws of its place of incorporation and its constitutional documents, may offer the Shareholders (i) the choice to receive a summary financial report (the “Summary Financial Report”) in place of the annual report and accounts; (ii) the choice to choose not to receive a printed copy of the Summary Financial Report or the annual report and accounts as well as notices and other documents and to receive such documents by means of electronic communication or to rely on the versions of these documents that will be published on the website of the Company (if any); and (iii) the choice of receiving documents in either English or Chinese only or in both English and Chinese.

LETTER FROM THE CHAIRMAN

In order to achieve such flexibility, the Directors wish to seek the approval of the Shareholders in the AGM for the proposed amendments to the Articles of Association of the Company which will enable the Company, to the extent permitted by the Listing Rules, the laws of Hong Kong and the Articles of Association of the Company, to offer the Shareholders the choices referred to in the paragraph above when it becomes desirable to do so. It should be noted that even if the Shareholders vote in favour of the special resolution approving such amendments, they will still be able to choose to receive printed copies of the annual report and accounts, notices and other documents in the event the Company does offer the said choices to Shareholders pursuant to the amended Articles of Association.

The Stock Exchange has also recently revised the Listing Rules. Such amendments, which came into effect on 31st March, 2004, relate to corporate governance issues, as well as provisions with which a listed company's constitutional documents should conform as set out in Appendix 3 to the Listing Rules. Article 81 will be amended to reflect the restriction on voting by Shareholders as required by the amended Appendix 3 of the Listing Rules. Article 103 will be amended to provide that a Director is not allowed to vote on any resolution of the Board approving any contract or arrangement or any other proposal in which he or any of his associates has a material interest nor shall he be counted in the quorum present at the meeting. Article 108 will be amended to set out a minimum period during which notice may be given by a person other than a Director to propose a person for election as a Director.

In the circumstances, in order to comply with the aforesaid new requirements and to bring the Articles of Association up to date and in line with the current practice in Hong Kong, a special resolution to amend the Articles of Association will be proposed at the AGM. Full details of the proposed amendments to the Articles of Association are set out in resolution no. 7 of the notice convening the AGM as set out on pages 19 to 28 of this circular.

RE-ELECTION OF DIRECTORS

In relation to resolution 3 in the notice of the AGM regarding re-election of Directors, Messrs. Chan Wing Fui Peter, Chan Wing To and Chan Wing Sun Samuel (collectively, the "Retiring Directors") will retire from the Board by rotation at the AGM pursuant to Articles 95 and 104 of the Company's Articles of Association and, being eligible, will offer themselves for re-election. Under resolution 3, the re-election of Directors will be individually voted on by Shareholders.

The Retiring Directors are also executive directors of YGM Trading Limited. Brief biographical details of the Retiring Directors, their interests in the Shares of the Company, their relationship with other directors of the Company, their positions with the Group, and their other directorships held in listed public companies are set out in Appendix III to this circular.

LETTER FROM THE CHAIRMAN

AGM

The notice of the AGM is set out on pages 19 to 28 of this circular. Ordinary resolutions in respect of the general mandates to issue and repurchase Shares and the adoption of the New Share Option Scheme and a special resolution in respect of the amendments to the Articles of Association will be proposed at the AGM.

A form of proxy for use at the AGM is enclosed with this circular. Whether or not you are able to attend the AGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the registered office of the Company at 22 Tai Yau Street, San Po Kong, Kowloon, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the AGM. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the AGM or any adjourned meeting thereof should you so wish.

Pursuant to Article 75 of the existing Articles of Association, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:

- (i) by the chairman of the meeting; or
- (ii) by at least three members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (iii) by any member or members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iv) by a member or members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

RECOMMENDATION

The Directors consider that the adoption of the New Share Option Scheme, the granting of general mandates to issue and repurchase Shares, the proposed amendments to the Articles of Association and the re-election of Directors are each in the best interests of the Company and the Shareholders as a whole, and accordingly, recommend all Shareholders to vote in favour of the resolutions to be proposed at the AGM.

GENERAL INFORMATION

Your attention is drawn to the additional information set out in the Appendices to this circular. The English text of this circular shall prevail over the Chinese text.

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

APPENDIX I PRINCIPAL TERMS OF THE NEW SHARE OPTION SCHEME

Set out below is a summary of the principal terms of the New Share Option Scheme to provide sufficient information to the Shareholders for their consideration.

(a) Purpose of the scheme

The purpose of the New Share Option Scheme is to provide incentives or rewards to the Eligible Participants thereunder for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any Invested Entity.

(b) Who may join

The Directors may at any time and from time to time within 10 years after the New Share Option Scheme is approved and adopted by the Shareholders, at their absolute discretion and subject to such conditions as the Board may think fit, invite any person belonging to any of the following classes of the Eligible Participants, to take up Options to subscribe for Shares:

- (aa) any Eligible Employee;
- (bb) any non-executive director (including independent non-executive directors) of the Company, any of its Subsidiaries or any Invested Entity;
- (cc) any supplier of goods or services to any member of the Group or any Invested Entity;
- (dd) any customer of the Group or any Invested Entity;
- (ee) any person or entity that provides research, development or technological support or other services to the Group or any Invested Entity; and
- (ff) any shareholder or any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

and, for the purposes of the New Share Option Scheme, Options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of the Eligible Participants or any discretionary object of an Eligible Participant which is a discretionary trust.

The basis of eligibility of any of the Eligible Participants to the grant of any Options shall be determined by the Board from time to time on the basis of their contribution to the development and growth of the Group and any Invested Entity.

(c) Maximum number of shares

- (aa) The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 30 per cent. of the issued share capital of the Company from time to time. No options may be granted under the New Share Option Scheme or any other share option schemes of the Company if this will result in this limit being exceeded.
- (bb) The total number of Shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed the General Scheme Limit (i.e. 14,024,579 Shares (assuming no further issue or repurchase of Shares from the Latest Practicable Date)).
- (cc) Subject to (aa) above and without prejudice to (dd) below, the Company may seek approval of the Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any other share option schemes of the Company must not exceed 10 per cent. of the Shares in issue as at the date of approval of the limit and for the purpose of calculating the limit, options previously granted (including those outstanding, cancelled, lapsed in accordance with the terms of the New Share Option Scheme and any other share option schemes of the Company or exercised) will not be counted.

APPENDIX I PRINCIPAL TERMS OF THE NEW SHARE OPTION SCHEME

- (dd) Subject to (aa) above and without prejudice to (cc) above, the Company may seek separate Shareholders' approval in general meeting to grant options beyond the General Scheme Limit or, if applicable, the limit referred to in (cc) above to Eligible Participants specifically identified by the Company before such approval is sought. The Company must send a circular to the Shareholders containing a generic description of the specified grantees who may be granted such options, the number and terms of the options to be granted, the purpose of granting such options to the grantees with an explanation as to how the terms of options serve such purpose and the information as required under the Listing Rules.

(d) Maximum entitlement of each Eligible Participant

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the New Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period shall not exceed 1 per cent. of the issued share capital of the Company in issue (the "Individual Limit"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant, shall be subject to which the Shareholders' approval in general meeting of the Company with such Eligible Participant and his Associates abstaining from voting. The Company must send a circular which discloses the identity of the Eligible Participant, the number and terms of the options to be granted and options previously granted to such Eligible Participant and the information as required under the Listing Rules to the Shareholders. The number and terms (including the subscription price) of the Options to be granted to such Eligible Participant must be fixed before the Shareholders' approval and the date of the meeting of the Board for proposing such further grant of Option should be taken as the date of grant for the purpose of calculating the subscription price.

(e) Grant of Options to connected persons

- (aa) Any grant of Options under the New Share Option Scheme to a Director, chief executive or substantial shareholder of the Company or any of their respective Associates must be approved by independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options).
- (bb) Where any grant of Options to a substantial shareholder of the Company or an independent non-executive Director, or any of their respective Associates, would result in the number of Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person(s) in the 12-month period up to and including the date of such grant:
- (i) representing in aggregate over 0.1 per cent. of the Shares in issue; and
 - (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5,000,000,

such further grant of Options must be approved by the Shareholders in general meeting. The Company must send a circular to the Shareholders containing the information required under the Listing Rules. All connected persons of the Company (within the meaning as defined in the Listing Rules) must abstain from voting in favour at such general meeting. Any vote taken at the meeting to approve the grant of such Options must be taken on a poll.

Shareholders' approval as required under this sub-paragraph (e)(bb) is also required for any change in the terms of Options granted to an Eligible Participant who is a substantial shareholder of the Company or an independent non-executive Director, or any of their respective Associates.

(f) Time of acceptance and exercise of an Option

An offer of the grant of an Option may be accepted by an Eligible Participant within 28 days from the date upon which it is made. A consideration of HK\$1.00 is payable on acceptance of the offer of grant of an Option.

APPENDIX I PRINCIPAL TERMS OF THE NEW SHARE OPTION SCHEME

An Option may be exercised in accordance with the terms of the New Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence from the date of acceptance of the offer for the grant of Options but shall end in any event not later than 10 years from the date of grant of the Option subject to the provisions for early termination thereof.

No minimum period for which the Option must be held before it can be exercised is specified in the New Share Option Scheme.

(g) Performance targets

Unless the Board otherwise determined and stated in the offer of the grant of Options to an Eligible Participant, an Eligible Participant is not required to achieve any performance targets before any Options can be exercised.

(h) Subscription price for shares

The subscription price for Shares under the New Share Option Scheme shall be a price determined by the Board, but shall not be lower than the highest of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date on which the Board approve the making of the offer for the grant of Options (the "Date of Grant"), which must be a trading day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the Date of Grant; and (iii) the nominal value of a Share. Without prejudice to the generality of the foregoing, the Board may grant Options in respect of which the subscription price is fixed at different prices for different periods during the option period provided that the subscription price for Shares for each of the different periods shall not be less than the subscription price determined in the aforesaid manner.

The Company may, for the purpose and within the meaning of section 47C(4)(b) of the Companies Ordinance, provide money for the subscription for fully paid Shares by trustees of or for Shares to be held by or for the benefit of employees of the Company or any Subsidiary, including any director holding a salaried employment or office in the Company or any of the Subsidiaries.

(i) Ranking of shares

Shares to be issued and allotted upon the exercise of an Option will be subject to all the provisions of the bye-laws of the Company and the Companies Ordinance and will rank *pari passu* in all respects with the fully paid Shares in issue as from the day when the name of the grantee is registered on the register of members of the Company and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date when the name of the grantee is registered on the register of members of the Company other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be before the date when the name of the grantee is registered on the register of members of the Company, provided always that when the date of exercise of the Option falls on a day upon which the register of members of the Company is closed then the exercise of the Option shall become effective on the first Business Day in Hong Kong on which the register of members of the Company is re-opened. A Share issued and allotted upon the exercise of an Option shall not carry any voting rights until completion of the registration of the grantee as the holder thereof.

(j) Restrictions on the time of grant of Options

No offer for grant of Options shall be made after a price sensitive development has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published in the newspapers. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of the meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules for the approval of the Company's results for any year, half-year, quarterly or any interim period (whether or not required under the Listing Rules); and (ii) the deadline for publishing an announcement of the results of the Company for any year or half-year under the Listing Rules, or quarterly or any other interim period, (whatever or not required under the Listing Rules), with the Stock Exchange and ending on the date of the announcement of the results, no Option may be granted.

APPENDIX I PRINCIPAL TERMS OF THE NEW SHARE OPTION SCHEME

The Board may not grant any Option to an Eligible Participant who is a Director during the periods or times in which Directors are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Companies prescribed by the Listing Rules or any similar code or securities dealing restrictions adopted by the Company or to which the Directors are subject.

(k) Duration of the New Share Option Scheme

The New Share Option Scheme will remain in force for a period of 10 years commencing from the date on which the New Share Option Scheme becomes unconditional. Options complying with the provisions of the Listing Rules which are granted during the duration of the New Share Option Scheme and remain unexercised immediately prior to the end of the 10-year period shall continue to be exercisable in accordance with their terms of grant within the option period for which such Options are granted, notwithstanding the expiry of the New Share Option Scheme.

(l) Rights on ceasing employment

If the grantee of an Option is an Eligible Employee and ceases to be an Eligible Employee for any reason other than his or her death or the termination of his or her employment on one or more of the grounds referred to in sub-paragraph (n) below before exercising his/her Option in full, the Option (to the extent which has become exercisable and not already exercised) will lapse on the date of cessation, which date shall be the last actual working day, whether salary is paid in lieu of notice or not and will not be exercisable unless the Board otherwise determine a longer period following the date of such cessation.

(m) Rights on death

If the grantee of an Option ceases to be an Eligible Participant by reason of his or her death (provided that none of the grounds referred to in sub-paragraph (n) below arises prior to his or her death) before exercising the Option in full, his or her legal personal representative(s) may exercise the Option (to the extent which has become exercisable not already exercised) in whole or in part within a period of 12 months, from the date of death or such longer period as the Board may determine.

(n) Rights on dismissal

If the grantee of an Option is an Eligible Employee and ceases to be an Eligible Employee by reason that he or her has been guilty of persistent or serious misconduct or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or (if so determined by the Board) on any ground on which an employer would be entitled to terminate his or her employment at common law or pursuant to any applicable laws or under the Eligible Employee's service contract with the Company or the relevant Subsidiary or the relevant Invested Entity, his or her Option will lapse automatically on the date the Eligible Employee ceases to be an Eligible Employee.

(o) Rights on breach of contract

If the Directors at their absolute discretion determine that the grantee of any Option (other than an Eligible Employee) or his or her Associate has committed any breach of any contract entered into between the grantee or his or her Associate on the one part and the Group or any Invested Entity on the other part or that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his or her creditors generally, the Directors shall determine that the outstanding Options granted to the grantee shall lapse. In such event, his or her Option will lapse automatically and will not in any event be exercisable on or after the date on which the Directors have so determined.

APPENDIX I PRINCIPAL TERMS OF THE NEW SHARE OPTION SCHEME

(p) Rights on a general offer

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, the Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the Options granted to them, Shareholders. If such offer becomes or is declared unconditional, a grantee shall be entitled to exercise his or her Option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to the Company in exercise of his or her Option at any time before the close of such offer (or any revised offer). Subject to the above, an Option will lapse automatically (to the extent not exercised) on the date on which such offer (or, as the case may be, revised offer) closes.

(q) Rights on winding up

In the event of an effective resolution being proposed for the voluntary winding-up of the Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to the Company at any time no later than two Business Days prior to the proposed general meeting of the Company for the passing of such resolution, exercise all or any of his or her Option (to the extent which has become exercisable and not already exercised) in accordance with the provisions of the New Share Option Scheme, whereupon the Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, issue and allot the relevant Shares to the grantee credited as fully paid, which Shares shall rank pari passu with all other Shares in issue on the date prior to the passing of the resolution to wind-up the Company to participate in the distribution of the assets of the Company available in liquidation. Subject to the above, an Option will lapse automatically (to the extent not exercised) on the date of the commencement of the winding-up of the Company.

(r) Rights on compromise or arrangement between the Company and its creditors

In the event of a compromise or arrangement between the Company and its creditors (or any class of them) or between the Company and its members (or any class of them), in connection with a scheme for the reconstruction or amalgamation of the Company, the Company shall give notice thereof to all grantees on the same day as it gives notice of the meeting to its members or creditors to consider such a scheme or arrangement, and thereupon any grantee (or his or her legal representative(s)) may forthwith and until the expiry of the period commencing with such date and ending with the earlier of the date falling two calendar months thereafter or the date on which such compromise or arrangement is sanctioned by Court be entitled to exercise his or her Option (to the extent which has become exercisable and not already exercised), but the exercise of the Option shall be conditional upon such compromise or arrangement being sanctioned by the Court and becoming effective. The Company may thereafter require such grantee to transfer or otherwise deal with the Shares issued as a result of such exercise of his or her Option so as to place the grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement. Subject to the above, an Option will lapse automatically (to the extent not exercised) on the date the proposed compromise or arrangement becomes effective.

(s) Adjustments to the subscription price

In the event of any alteration in the capital structure of the Company (including capitalisation of profits or reserves, rights issue or other similar offer of securities to holders of Shares, consolidation, subdivision or reduction or similar reorganisation of the share capital of the Company (other than an issue of Shares as consideration in respect of a transaction to which the Company is a party)) whilst an Option remains exercisable but the New Share Option Scheme remains in effect, such corresponding alterations (if any) certified by the auditors for the time being of or an independent financial adviser to the Company as fair and reasonable will be made to the number and/or nominal amount of Shares subject to the Options so far as unexercised and/or the subscription price for Shares in respect of unexercised Options and/or the maximum number of Shares available for subscription referred to in paragraph (c) above, provided that (i) any adjustments shall give a grantee the same proportion of the issued share capital to which he was entitled prior to such alteration and that the aggregate subscription price payable

APPENDIX I PRINCIPAL TERMS OF THE NEW SHARE OPTION SCHEME

by a grantee on the full exercise of any Option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event; (ii) no alteration shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; and (iii) no such adjustment will be required in circumstances whether there is an issue of shares or other securities of the Group as consideration in a transaction. In addition, in respect of any such adjustments, other than any made on a capitalisation issue, such auditors or independent financial adviser must confirm to the Directors in writing that the adjustments satisfy the requirements of the relevant provision of the Listing Rules.

(t) Cancellation of Options

Subject to paragraph (v) and Chapter 17 of the Listing Rules, any cancellation of Options granted but not exercised must be approved by the Board with the consent of the grantee. Where the Company cancels Options and issues new ones to the same grantees, the grant of such new Options may only be made under the New Share Option Scheme with available unissued Options (excluding the cancelled Options) within the General Scheme Limit.

(u) Termination of the New Share Option Scheme

The Company may, by resolution in general meeting, at any time terminate the New Share Option Scheme and in such event no further Option shall be offered but the provisions of the New Share Option Scheme shall remain in full force to the extent necessary to give effect to the exercise of the Options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the New Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the New Share Option Scheme.

(v) Rights are personal to the grantee

An Option is personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest whatsoever in favour of any third party over or in relation to any Option. Any breach of the foregoing by a grantee shall entitle the Company to cancel any outstanding Option or part thereof granted to such grantee to the extent not already exercised.

(w) Lapse of Option

An Option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (aa) the expiry of the option period referred to in paragraph (f);
- (bb) the expiry of the periods or dates referred to in paragraphs (l), (m), (n), (o), (p) (q) and (r); and
- (cc) the date on which a breach of the provision restricting the transfer and assignment of an Option referred to in paragraph (v) is committed.

(x) Share capital

The exercise of any Option shall be subject to the Shareholders in general meeting approving any necessary increase in the authorised share capital of the Company. Subject thereto, the Board shall make available sufficient authorised but unissued share capital of the Company to meet subsisting requirements on the exercise of Options.

(y) Alteration

The New Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (aa) any changes to the definitions of “Eligible Participant” and “grantee” and “option period”;
- (bb) any changes to the provisions as mentioned in paragraphs (a) to (x) and the provisions relating to the matters set out in Rule 17.03 of the Listing Rules to the advantage of grantees of the Options;

APPENDIX I PRINCIPAL TERMS OF THE NEW SHARE OPTION SCHEME

- (cc) any alterations to the terms and conditions of the New Share Option Scheme which are of a material nature;
- (dd) any change to the terms of Options granted; and
- (ee) any change to the authority of the Board in relation to any alteration to the terms of the New Share Option Scheme,

must be approved by a resolution of the Shareholders in general meeting, except where such alterations take effect automatically under the existing terms of the New Share Option Scheme, provided that:

- (i) the amended terms of the New Share Option Scheme or the Options shall still comply with the requirements of Chapter 17 of the Listing Rules; and
- (ii) no such alteration shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alteration except with the consent or sanction in writing of such number of grantees as shall together hold Options in respect of not less than three-fourths in nominal value of all Shares then subject to Options granted under the New Share Option Scheme; and
- (iii) except as described in paragraphs (aa) to (ee) above, the Board shall not be required to obtain the approval of the Shareholders for any minor changes:
 - (1) to benefit the administration of the New Share Option Scheme;
 - (2) to comply with or take account of the provisions of any proposed or existing legislation or regulation;
 - (3) to take account of any changes to any legislation or regulation; or
 - (4) to obtain or maintain favourable tax, exchange control or regulatory treatment of any member of the Group or any Grantee or future holders of Options.

The following is the Explanatory Statement required to be sent to Shareholders of the Company under the Listing Rules in connection with the proposed general mandate for repurchase of Shares and also constitutes the memorandum required under Section 49BA(3)(b) of the Companies Ordinance:-

- (i) It is proposed that up to 10 per cent. of the Shares in issue at the date of the passing of the resolution to approve the general mandate may be repurchased. As at the Latest Practicable Date, the number of Shares in issue was 140,245,792 Shares. On the basis of such figure (and assuming no further Shares are issued or repurchased after the Latest Practicable Date and up to the date of passing such resolution), the Directors would be authorised to repurchase Shares up to a limit of 14,024,579 Shares.
- (ii) The Directors believe that it may be to the benefit of the Company and its Shareholders to repurchase its Shares in certain circumstances. For example, depending on market conditions and funding arrangements at the time, such repurchases may enhance the net assets and/or earnings per Share. Therefore, the Directors are seeking the grant of a general mandate to repurchase Shares to give the Company the flexibility to do so if and when appropriate.
- (iii) It is envisaged that the funds required for any repurchase would be derived from the capital paid up on the Shares being repurchased and from the distributable profits of the Company. In any event, the Company may only apply funds legally available for such purpose in accordance with its Memorandum and Articles of Association and the laws of Hong Kong.
- (iv) As compared with the position disclosed in the audited consolidated accounts contained in the annual report for the year ended 31st March 2004, the Directors consider that the exercise in full of the Repurchase Mandate would have a material adverse impact on the working capital or gearing position of the Company. However, the Directors do not propose to exercise the power to make purchases pursuant to the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the Company's working capital requirements or gearing levels.
- (v) There are no Directors or (to the best of the knowledge of the Directors, having made all reasonable enquiries) any associates (as defined in the Listing Rules) of Directors who have a present intention, in the event that the general mandate is granted by Shareholders of the Company, to sell Shares to the Company.
- (vi) The Directors have undertaken to the Stock Exchange to exercise the power of the Company to make repurchases pursuant to the Repurchase Mandate in accordance with the Listing Rules and laws of Hong Kong.
- (vii) As at the Latest Practicable Date and according to the records kept by the Company, Messrs. Chan Sui Kau, Chan Wing Fui, Peter, Chan Wing Kee, Chan Wing To, Chan Wing Sun, Samuel, Chan Wing Chak, David and Madam Chan Suk Man and Chan Suk Ling, Shirley (collectively the "Chan Directors") and their associates (collectively the "Chan Family") are together interested in approximately 54.43% of the issued Shares. Assuming that the shareholding interests of the Chan Directors remain unchanged, upon full exercise of the mandate to repurchase Shares by the Directors, the Chan Directors will be interested in approximately 60.48% of the issued Shares. The Directors are not aware of any consequences which would arise under the Hong Kong Code on Takeovers and Mergers as a consequence of any repurchases of Shares by the Company pursuant to the general mandate.
- (viii) The Company has not purchased any of its Shares (whether on the Stock Exchange or otherwise) in the six months preceding the date of this circular.
- (ix) No connected persons of the Company (as defined in the Listing Rules) have notified it of a present intention to sell Shares to the Company and no such persons have undertaken not to sell any such Shares to the Company in the event that the Repurchase Mandate is granted by the Shareholders of the Company.

- (x) The highest and lowest prices at which Shares have traded on the Stock Exchange in each of the previous twelve months prior to the Latest Practicable Date are as follows:

	Highest per Share <i>HK\$</i>	Lowest per Share <i>HK\$</i>
September, 2003	1.85	1.60
October 2003	1.72	1.56
November 2003	1.65	1.53
December 2003	1.75	1.58
January, 2004	1.68	1.56
February 2004	1.82	1.58
March 2004	1.79	1.67
April 2004	1.73	1.45
May 2004	1.55	1.31
June 2004	1.51	1.39
July 2004	2.45	1.50
August 2004 (up to the Latest Practicable Date)	2.63	2.10

APPENDIX III INFORMATION THE DIRECTORS TO BE RE-ELECTED

Brief biographical details of the Retiring Directors, their interests in the Shares of the Company, their relationship with other directors of the Company, their positions with the Group, their other directorships held in listed public companies and other matters relating to the Retiring Directors that need to be brought to the attention of the Shareholders are as follows:

Chan Wing Fui, Peter, MA

Age 58. Received a Master's degree in Administrative Science from Yale University USA in 1969 and joined the Group in the same year. Appointed Director in 1971, Managing Director in 1980 and Vice Chairman of the Group and YGM Trading Ltd. in 1987. Mr Chan has been actively involved in garment manufacturing and marketing in the Far East and the USA for over 30 years. He is a member of the Chan Family (the controlling shareholder of the Company), the son of Mr Chan Sui Kau and the brother of Mr. Chan Wing Sun Samuel and Ms Chan Suk Ling Shirley (who are all directors of the Company). During the three years immediately preceding the Latest Practicable Date, he has also been an executive director of YGM Trading Ltd. which is listed on the Stock Exchange.

Chan Wing To, PhD

Age 53. Joined YGM Singapore in 1978 and appointed Managing Director in 1980. Also appointed Director of the Group in 1983 and YGM Trading Ltd. in 1987. He is a member of the Chan Family (the controlling shareholder of the Company), and the brother of Mr. Chan Wing Chak David, Mr. Chan Wing Kee and Ms Chan Suk Man (who are all directors of the Company). During the three years immediately preceding the Latest Practicable Date, he has also been an executive director of YGM Trading Ltd. which is listed on the Stock Exchange.

Chan Wing Sun, Samuel, FCA

Age 56. Received a Bachelor's degree from University of Manchester, United Kingdom in 1970 and qualified as a Chartered Accountant in 1973. Company Secretary of the Group from 1974 to 1988 and a Director since 1977. Appointed Managing Director of YGM Trading Ltd. since 1987 and Chairman of Hang Ten Group Holdings Ltd since 2003. He is a member of the Chan Family (the controlling shareholder of the Company), and the son of Mr. Chan Sui Kau and the brother of Mr. Chan Wing Fui Peter and Ms Chan Suk Ling Shirley (who are all directors of the Company). During the three years immediately preceding the Latest Practicable Date, he has also been an executive director of YGM Trading Ltd. and Hang Ten Group Holdings Ltd which are listed on the Stock Exchange.

As at the Latest Practicable Date, interests in the Shares of the Company of the Retiring Directors which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, the Model Code for Securities Transactions by Directors of Listed Companies and which were entered in the register kept by the Company under section 352 of the SFO are as follows:

Name of Director	Number of Ordinary Shares of HK\$0.50 each			
	Personal interest	Family interests	Corporate interests	Other interests
Chan Wing Fui, Peter	324,068	1,059,420	–	(i) & (ii) & (iii)
Chan Wing To	1,956,036	–	–	(i) & (ii) & (iii) & (iv)
Chan Wing Sun, Samuel	7,496	–	2,028,720	(i) & (ii) & (iii)

Notes:

- (i) 17,535,668 shares of the Company were held by Chan Family Investment Corporation Ltd. (which is owned by Messrs Chan Sui Kau, Chan Wing Fui Peter, Chan Wing Kee, Chan Wing To, Chan Wing Sun Samuel and Chan Wing Chak David, Madam Chan Suk Ling Shirley and Madam Chan Suk Man and other members of the Chan Family) and its subsidiaries.
- (ii) 34,595,908 shares of the Company were held by Joycome Limited, which is beneficially owned by Messrs Chan Wing Fui Peter, Chan Wing Kee, Chan Wing To and Chan Wing Sun Samuel, Madam Chan Suk Ling Shirley and Madam Chan Suk Man and other members of the Chan Family.

APPENDIX III INFORMATION THE DIRECTORS TO BE RE-ELECTED

- (iii) 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, Chan Wing Sun Samuel, Madam Chan Suk Ling Shirley, Madam Chan Suk Man and other members of the Chan Family.
- (iv) 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 other members of the Chan Family.

As at the Latest Practicable Date, the Retiring Directors have not entered into any service contract in writing with the Company and are subject to retirement by rotation and re-election in accordance with the Articles of Association of the Company. Messrs. Chan Wing Sun, Samuel and Chan Wing To do not receive any salary from the Company. Mr. Chan Wing Fui, Peter receives a monthly basic salary and allowances of HK\$210,000 from the Company. All the Retiring Directors will receive a director's fee to be fixed by the Board as authorised by the Shareholders at the AGM, and discretionary bonuses to be determined by the Board based on his performance during the relevant financial year.

NOTICE OF ANNUAL GENERAL MEETING

長江製衣廠有限公司

YANGTZEKIANG GARMENT MANUFACTURING COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 294)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the members of Yangtzekiang Garment Manufacturing Company Limited (the “Company”) will be held at Function Room-Cherry, InterContinental Hong Kong, 18 Salisbury Road, Kowloon, Hong Kong on Monday, 20th September, 2004 at 2:30 p.m. for the following purposes:–

1. To receive and consider the audited consolidated financial statements and the reports of the Directors and Auditors for the year ended 31st March, 2004;
2. To approve and declare a final dividend for the year ended 31st March, 2004;
3. To re-elect Directors and to authorise the board of directors to fix the director’s fee;
4. To re-appoint Auditors and to authorise the board of directors to fix their remuneration;
5. To consider as special business and, if thought fit, pass with and without amendments, the following resolution as an ordinary resolution:–

5.1 **“THAT:–**

- (a) subject to paragraph (b), the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to purchase Shares (as defined below) be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of Shares which may be purchased on The Stock Exchange of Hong Kong Limited or any other stock exchange recognised for this purpose by the Securities and Futures Commission of Hong Kong and The Stock Exchange of Hong Kong Limited under the Hong Kong Code on Share Repurchases pursuant to the approval in paragraph (a) above shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution, and the said approval shall be limited accordingly; and
- (c) for the purpose of this Resolution:–

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:–

- (i) the conclusion of the next Annual General Meeting of the Company;
- (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by law or the Memorandum and Articles of Association of the Company to be held; or
- (iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders of the Company in general meeting;

“Shares” means shares of all classes in the capital of the Company and securities which carry a right to subscribe or purchase shares of the Company including, without limitation, ordinary shares of HK\$0.50 each in the capital of the Company.”;

NOTICE OF ANNUAL GENERAL MEETING

5.2 **“THAT:–**

- (a) subject to paragraph (c), the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and otherwise deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (a), otherwise than pursuant to (i) a Rights Issue, (ii) the exercise of rights of subscription or conversion under the terms any warrants issued by the Company or any securities which are convertible into shares of the Company, (iii) any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company or (iv) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Articles of Association of the Company, shall not exceed the aggregate of:- (aa) 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution plus (bb) (if the Directors are so authorised by a separate ordinary resolution of the shareholders of the Company) the nominal amount of share capital of the Company repurchased by the Company subsequent to the passing of this Resolution (up to a maximum equivalent to 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution), and the said approval shall be limited accordingly; and
- (d) for the purposes of this Resolution:–

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:–

- (i) the conclusion of the next Annual General Meeting of the Company;
- (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by law or the Memorandum and Articles of Association of the Company to be held; or
- (iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders of the Company in general meeting;

“Right Issue” means the allotment, issue or grant of shares pursuant to an offer of shares open for a period fixed by the Directors to holders of shares of the Company or any class thereof on the register on a fixed record date in proportion to their then holdings of such shares or class thereof (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any territory outside Hong Kong).”;

- 5.3 **“THAT** the Directors be and they are hereby authorised to exercise the powers of the Company referred to in paragraph (a) of the resolution set out as Resolution 5.2 in the notice of this meeting in respect of the share capital of the Company referred to in sub-paragraph (bb) of paragraph (c) of such resolution.”

NOTICE OF ANNUAL GENERAL MEETING

6. To consider as special business and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:–

“THAT, subject to the passing of this resolution and with effect from the close of business of the day on which this resolution is passed, the rules of the share option scheme (the “New Share Option Scheme”), the principal terms of which are set out in the circular (the “Circular”) to the shareholders of the Company dated 26th August, 2004) (a copy of the New Share Option Scheme and the Circular having been produced to the meeting marked “A” and “B”, respectively, and signed by the chairman of the meeting for the purposes of identification), be approved and adopted and the Directors be and they are hereby generally and unconditionally authorised to approve any amendments to the rules of the New Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at their absolute discretion to grant options to subscribe for the shares of HK\$0.50 each in the share capital of the Company thereunder and to issue, allot and deal with shares pursuant to the exercise of options granted under the New Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to carry into effect the New Share Option Scheme with effect from the close of business of the day on which this resolution is passed.”;

7. To consider as special business and, if thought fit, pass with or without amendments, the following resolution as a special resolution:–

“THAT the existing Articles of Association of the Company be and are hereby altered by:–

- (A) amending Article 2 as follows:–

- (1) adding the following definitions:–

“associate” in relation to any Director, shall have the meaning ascribed to it under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended from time to time;

“corporate representative” shall mean any person appointed to act in that capacity pursuant to Article 92(A) or 92(B);

“electronic communication” shall mean a communication sent by electronic transmission in any form through any medium;

- (2) deleting the definition of “Hong Kong” and substituting therefor the following:–

“Hong Kong” shall mean the Hong Kong Special Administrative Region of the People’s Republic of China;

- (3) inserting the words “(including an electronic communication)” after the words “legible and non-transitory form” in the definition of “writing” or “printing”; and

- (4) inserting immediately after the following paragraph:–

“References to any Articles by number are to the particular Article of these Articles.”

the following additional paragraph:–

“References to a document being executed include references to it being executed under hand or under seal or by electronic signature or by any other method and references to a notice or document include a notice or document recorded or stored in any digital, electronic, electrical, magnetic or other retrievable form or medium and information in visible form whether having physical substance or not.”

- (B) in the first sentence of Article 71, deleting all the words after the words “present in person” and substituting therefor the words “or as a duly authorised corporate representative or by proxy and entitled to vote”;

NOTICE OF ANNUAL GENERAL MEETING

- (C) in Article 75(ii), (iii) and (iv), deleting the words “(or, in the case of a member being a corporation, by its duly authorised representative)” and substituting therefor the words “by a duly authorised corporate representative”;
- (D) in Article 81:–
- (1) deleting the words “(being an individual)” on the third and fourth lines;
 - (2) deleting the words “(being a corporation) is present by a representative duly authorised under Section 115 of the Companies Ordinance” on the fourth to sixth lines, and substituting therefor the words “as a duly authorised corporate representative or by proxy”;
 - (3) deleting the words “(being a corporation) by duly authorised representative” on the seventh line, and substituting therefor the words “as a duly authorised corporate representative”; and
 - (4) adding the following at the end thereof:–

“Where any member is, under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended from time to time, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such Member in contravention of such requirement or restriction shall not be counted.”
- (E) in Article 86, deleting the second, third and fourth sentences, and substituting therefor the following:–

“Votes may be given either personally or by a duly authorised corporate representative or by proxy. A member who is the holder of two or more shares may appoint more than one proxy to attend on the same occasion. A proxy need not be a member. In addition, a proxy or proxies representing either an individual member or a member which is a corporation, shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise, including the right to vote individually on a show of hands.”;
- (F) in Article 91, deleting the words “duly authorised representative of a corporation” in the second and third lines, and substituting therefor the words “duly authorised corporate representative”;
- (G) in Article 92:–
- (1) renumbering the existing article as the sub-paragraph (A) and adding the following words at the end thereof:–

“or by one or more proxies. Nothing in this Article shall prevent a corporation which is a member of the Company from appointing one or more proxies to present it pursuant to Article 86.”; and
 - (2) adding the sub-paragraph (B) after the sub-paragraph (A) as follows:–

“(B) Where a member is a recognised clearing house within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), it may authorise such person or persons as it thinks fit to act as its representative or representatives at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. The person so authorised under the provision of this Article shall be entitled to exercise the same powers on behalf of such clearing house which he represents as such clearing house (or its nominee) could exercise if it were an individual member of the Company.”

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- (H) in Article 102(A)(vi), deleting the words “a special resolution” and substituting therefor “an ordinary resolution”;
- (I) in Article 103, deleting the existing sub-paragraphs (B)(ii) and (iii) and substituting the following new sub-paragraphs B(ii) and (iii):–
 - “(ii) A Director shall not vote or be counted in the quorum in respect of any contract, arrangement or other proposal in which he or his associate(s) is/are materially interested, and if he shall do so his vote shall not be counted, but this prohibition shall not apply to any contract, arrangement or other proposal for or concerning:–
 - (a) the giving of any security or indemnity either:–
 - (I) to the Director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries; or
 - (II) to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security; and/or
 - (b) an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer; and/or
 - (c) any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or shareholder or in which the Director or his associate(s) is/are beneficially interested in shares or securities of that company, provided that the Director and any of his associates are not in aggregate beneficially interested in 5% or more of the issued shares or securities of any class of such company (or of any third company through which his interest or that of his associates is derived) or of the voting rights attached to such issued shares or securities; and/or
 - (d) the benefit of employees of the Company or any of its subsidiaries including:–
 - (I) the adoption, modification or operation of any employees’ share scheme or any share incentive or share option scheme under which the Director or his associate(s) may benefit; or
 - (II) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to Directors, his associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and/or
 - (e) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

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- (iii) (a) A company shall be deemed to be a company in which a Director and/or his associate(s) owns 5% or more if and so long as (but only if and so long as) he and/or his associate(s) (either directly or indirectly) is/are the holders of or beneficially interested in 5% or more of any class of the equity share capital of such company or of the voting rights available to members of such company (or any third company through which his/their interest or that of any of his associates is derived) or of the voting rights of any class of shares available to shareholders of the Company. For the purpose of this paragraph there shall be disregarded any shares held by a Director or his associate(s) as bare or custodian trustee and in which he or any of them has no beneficial interest, any shares comprised in a trust in which the interest of the Director or his associate(s) is/are in reversion or remainder if and so long as some other person is entitled to receive the income thereof, and any shares comprised in an authorised unit trust scheme in which the Director or his associate(s) is interested only as a unit holder and any shares which carry no voting right at general meetings and very restrictive dividend and return of capital right.
- (b) Where a company in which a Director and/or his associate(s) holds 5% or more of any class of the equity share capital of such company or of the voting rights of any class of shares available to shareholders of the Company is/are materially interested in a transaction, then that Director shall also be deemed materially interested in such transaction.
- (c) If any question shall arise at any meeting of the Board as to the materiality of the interest of a Director (other than the chairman of the meeting) or his associate(s) or as to the entitlement of any Director (other than such chairman) to vote or be counted in the quorum and such question is not resolved by his voluntarily agreeing to abstain from voting or not to be counted in the quorum, such question shall be referred to the chairman of the meeting and his ruling in relation to such other Director or his associate(s) shall be final and conclusive except in a case where the nature or extent of the interest of the Director or his associate(s) concerned as known to such Director has not been fairly disclosed to the Board. If any question as aforesaid shall arise in respect of the chairman of the meeting or his associate(s) such question shall be decided by a resolution of the Board (for which purpose such chairman and any of the other directors present who are materially interested in the contract or arrangement in question shall be counted in the quorum but shall not vote thereon) and such resolution shall be final and conclusive except in a case where the nature or extent of the interest of such chairman or his associate(s) as known to such chairman has not been fairly disclosed to the Board.”

- (J) deleting all the words appearing in Article 108 after the word “Company” and substituting the following:–

“at its registered office in the period commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, provided that such period shall be at least seven days.”

- (K) in Article 110, deleting the words “special resolution” and substituting “ordinary resolution”;

- (L) in Article 166:–

- (1) inserting the words “(collectively the “Relevant Financial Documents”)” between the words “Auditors’ report” and “, shall” in the sixth line of the sub-paragraph (B); and

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(2) inserting the following as sub-paragraphs (C) and (D):-

“(C) To the extent permitted by and subject to due compliance with all applicable laws, rules and regulations and to obtaining all necessary consents, if any, required thereunder, the requirements in paragraph (B) of this Article shall be deemed satisfied in relation to any person by sending to the person in any manner not prohibited by the Ordinance and instead of a copy of the Relevant Financial Documents, a summary financial report derived from the Relevant Financial Documents which shall be in the form and containing the information required by applicable laws, rules and regulations, provided that any person who is otherwise entitled to the Relevant Financial Documents may, if he so requires and in accordance with the Ordinance and all other applicable laws, rules and regulations, by notice in writing served on the Company, demand that the Company sends to him, in addition to a summary financial report, a complete printed copy of the Relevant Financial Documents.

(D) The requirement to send to a person referred to in paragraph (B) of this Article the Relevant Financial Documents or a summary financial report in accordance with paragraph (C) of this Article shall be deemed satisfied where, in accordance with the Ordinance and other applicable laws, rules and regulations, the Company publishes copies of the Relevant Financial Documents and, if applicable, a summary financial report complying with paragraph (C) of this Article, on the Company’s computer network or its website (if any) or in any other permitted manner (including by sending any form of electronic communication), and that person has agreed or is deemed to have agreed to treat the publication or receipt of such documents in such manner as discharging the Company’s obligation to send to him a copy of the Relevant Financial Documents or summary financial report.”;

(M) in Article 170:-

(1) deleting the existing sub-paragraph (A) in its entirety and substituting therefor the following:-

“(A) Any notice or document (including any “corporate communication” within the meaning ascribed thereto under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited from time to time in force), to be given or issued by the Company to a member, whether or not under the Ordinance, other applicable laws, rules and regulations or these Articles, shall be given in writing or by cable, telex or facsimile transmission message or other form of electronic communication or transmission and any such notice and document may be served or delivered by the Company on or to any member (1) personally or (2) by sending it through the post in a prepaid letter, envelope or wrapper addressed to such member at his registered address as appearing in the register of members, whether in or outside Hong Kong, or by delivering or leaving it at such registered address as aforesaid or (3) as the case may be, by transmitting it to any such address or transmitting it to any telex or facsimile transmission number or electronic number or address or website (if any) supplied by him to the Company for the giving of notice or document to him or (4) (in the case of a notice) by advertisement in an English language daily newspaper and a Chinese language daily newspaper circulating in Hong Kong or (5) subject to due compliance with the Ordinance and other applicable laws, rules and regulations, by publishing it on the Company’s computer network or its website (if any), giving access to such network or website (if any) to the member and giving to the member a notice stating that the notice or other document is available there (a “notice of availability”) or (6) in any other permitted manner from time to time.”; and

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(2) deleting the existing sub-paragraph (B) in its entirety and substituting therefor the following:–

“(B) In the case of joint holders of a share, all notices or documents shall be given to that one of the joint holders whose name stands first in the register and notice or documents so given shall be deemed a sufficient service to all the joint holders.”

(N) deleting Article 172 in its entirety and substituting therefor the following:–

“172. Any notice or other document (including any “corporate communication” within the meaning ascribed thereto under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited from time to time in force) given or issued by the Company:–

(i) if served by post, shall be deemed to have been served on the day following that on which the envelope or wrapper containing the same is posted and in proving such service it shall be sufficient to prove that the envelope or wrapper containing the notice was properly prepaid, addressed and posted (in the case of an address outside Hong Kong by air-mail postage prepaid where air-mail posting from Hong Kong to such place is available) and a certificate in writing signed by the Secretary or other person appointed by the Board that the envelope or wrapper containing the notice or other document was so addressed and put into the post shall be conclusive evidence thereof;

(ii) if sent by electronic communication, shall be deemed to be given on the day on which it is transmitted from the server of the Company or its agent. A notice or document placed on the Company’s computer network or website (if any) is deemed given by the Company to a member on the day on which a notice of availability is deemed served on the member;

(iii) if served or delivered in any other manner contemplated by these Articles other than by advertisement in newspapers in accordance with Article 170, shall be deemed to have been served or delivered at the time of personal service or delivery or, as the case may be, at the time of the relevant despatch or transmission; and in proving such service or delivery a certificate in writing signed by the Secretary or other person appointed by the Board as to the fact and time of such service, delivery, despatch or transmission shall be conclusive evidence thereof;

(iv) if served by advertisement in newspapers in accordance with Article 170, shall be deemed to have been served on the day on which the notice is first published; and

(v) may be given to a member either in the English language or the Chinese language only or in both the English language and Chinese language, subject to due compliance with the Ordinance and other applicable laws, rules and regulations.”;

(O) deleting Article 173 in its entirety and substituting therefor the following:–

“173. A notice or document may be given by or on behalf of the Company to the person entitled to a share in consequence of the death, mental disorder or bankruptcy of a member in such manner as provided in Article 170 in which the same might have been given if the death, mental disorder or bankruptcy had not occurred.”;

(P) in Article 175, deleting the words “by post to, or left at the registered address of any member” from the first and second lines and substituting therefor the words “to any member in such manner as provided in Article 170”;

(Q) deleting Article 176 in its entirety and substituting therefor the following:–

“176. The signature to any notice or document to be given by the Company may be written, printed or made electronically.”;

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(R) in Article 181:–

(1) deleting the words “(including any such liability as is mentioned in paragraph (c) of the proviso to Section 165 of the Companies Ordinance)” in the sub-paragraph (A); and

(2) deleting the existing sub-paragraph (B) and substituting the following:–

“(B) The Company may indemnify any Director or other officer of the Company, or any person employed by the Company as Auditor, against any liability incurred by him:–

(i) in defending any proceedings, whether civil or criminal, in which judgment is given in his favour or in which he is acquitted; or

(ii) in connection with any application under section 358 of the Companies Ordinance in which relief is granted to him by the court.

(C) The Company may purchase and maintain for any Director or officer of the Company, or any person employed by the Company as Auditor:–

(i) insurance against any liability to the Company, a related company or any other party in respect of any negligence, default, breach of duty or breach of trust (save for fraud) of which he may be guilty in relation to the Company or a related company; and

(ii) insurance against any liability incurred by him in defending any proceedings, whether civil or criminal, taken against him for any negligence, default, breach of duty or breach of trust (including fraud) of which he may be guilty in relation to the Company or a related company.

(D) In this Article, “related company”, in relation to the Company, means any company that is the Company’s subsidiary or holding company or a subsidiary of that company’s holding company.”

By Order of the Board
Hui Sau Ling
Secretary

Hong Kong, 26th August, 2004

Notes:

(a) The Transfer Books and Register of Members of the Company will be closed from 13th September, 2004 to 20th September 2004, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend payable on or around 21st September, 2004 to be approved at the meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company’s share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:00 p.m. on 10th September, 2004.

(b) A member entitled to attend and vote at the above meeting may appoint one or more than one proxies to attend and to vote in his stead. A proxy need not be a member of the Company.

(c) In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof must be deposited at the Company’s registered office, 22 Tai Yau Street, San Po Kong, Kowloon, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

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- (d) With regard to item 5 of the above notice, attention is drawn to the circular regarding the general mandate to repurchase shares and to issue shares which will be sent to shareholders in due course.

As at the date of this notice, the directors of the Company are Chan Sui Kau, Chan Wing Fui Peter, Chan Wing Kee, Chan Wing To, Chan Suk Man, Chan Wing Sun Samuel, Chan Wing Chak David, Chan Suk Ling Shirley, Yeung Wing Tak[#], Leung Hok Lim, Wong Lam* and Lin Keping*.*

[#] *Non-Executive Director*

* *Independent Non-Executive Director*