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**YangtzeKiang  
Garment Manufacturing  
Company Limited**

*(Incorporated in Hong Kong  
with limited liability)*

**YGM  
Trading Limited**

*(Incorporated in Hong Kong  
with limited liability)*

**CONTINUING CONNECTED TRANSACTIONS**

YangtzeKiang Garment Group and YGM Trading Group have carried out certain transactions in relation to sales and purchases of garment products and licence arrangement. Each of YangtzeKiang Garment Group and YGM Trading Group have also carried out certain transactions with YGM Marketing respectively as described below.

As Chan Family is the controlling shareholder (as defined in the Listing Rules) of the Companies and the ultimate beneficial owner of YGM Marketing, the Continuing Connected Transactions and the Licence Arrangement constitute connected transactions for YangtzeKiang Garment and/or YGM Trading (as the case may be) under the Listing Rules.

Details of the Garment Purchases by YangtzeKiang Garment Group from YGM Trading Group should also have been disclosed by way of a press notice during the two financial years ended 31st March 2001 and details of each of the First Licence Agreement and the Second Licence Agreement, by way of a press notice when such agreement was entered into. The Companies acknowledged that they have inadvertently breached Rule 14.25(1) of the Listing Rules with respect to the Garment Purchases by YangtzeKiang Garment Group from YGM Trading Group, the First Licence Agreement and the Second Licence Agreement. The directors of both Companies consider that such transactions are in the interests of their respective company and these inadvertent breaches have no material adverse impact on the financial conditions of their respective company. The Stock Exchange has indicated that it reserves its right to take actions against the Companies and their directors as a result of such breaches. The Companies will include details of the Licence Arrangement in their next published annual reports and accounts.

Yangtzekiang Garment Group and YGM Trading Group intend to continue to enter into and carry on the relevant Continuing Connected Transactions and have applied to the Stock Exchange for waivers from strict compliance with Rule 14.25(1) of the Listing Rules in respect of the relevant Continuing Connected Transactions.

## **CONTINUING CONNECTED TRANSACTIONS**

The Companies have applied to the Stock Exchange for waivers from strict compliance with Rule 14.25(1) of the Listing Rules with respect to the Continuing Connected Transactions as described below. Please refer to the details of the transactions and the waivers applied for as set out below.

### **A. Transactions between Yangtzekiang Garment Group and YGM Trading Group**

#### **1. Garment Purchases by Yangtzekiang Garment Group from YGM Trading Group**

Yangtzekiang Garment Group has purchased garment products (such as trousers and pants) on an order by order basis from YGM Trading Group for trading purposes on prices and terms no less favourable than those payable to independent third party purchasers during the three financial years ended 31st March 2002.

The prices and terms of these garment sales and purchases have been agreed after arm's length negotiations between the Groups. For the three financial years ended 31st March 2002, the annual trading volume of garment products amounted to approximately HK\$2.37 million, HK\$2.66 million and HK\$89,000 respectively, representing about 0.76% (restated), 0.78% (restated) and 0.025% of the audited consolidated NTA of Yangtzekiang Garment and about 0.33% (restated), 0.48% (restated) and 0.012% of the audited consolidated NTA of YGM Trading as at their respective financial year ends respectively.

Although details of such transactions have been disclosed in the Companies' annual reports since 2000, the Companies have failed to disclose the same by way of a press notice in accordance with Rule 14.25(1) of the Listing Rules during the two financial years ended 31st March 2001. The Companies acknowledged that they have inadvertently breached Rule 14.25(1) of the Listing Rules with respect to the Garment Purchases by Yangtzekiang Garment Group from YGM Trading Group. The directors of both Companies consider that such transactions are in the interests of their respective

company and these inadvertent breaches have no material adverse impact on the financial conditions of their respective company. The Stock Exchange has indicated that it reserves its right to take actions against the Companies and their directors as a result of such breaches.

The Groups intend to continue to carry on the garment sales and purchases in the near future and have applied to the Stock Exchange for waivers from strict compliance with Rule 14.25(1) of the Listing Rules. The Companies have proposed cap amounts of 2% and 1% of the latest published audited consolidated NTA of YangtzeKiang Garment and YGM Trading respectively in relation to such sales and purchases.

**2. Garment Sales by YangtzeKiang Garment Group to YGM Trading Group**

YangtzeKiang Garment Group has sold garment products (such as shirts and knit wear products) on an order by order basis to YGM Trading Group for trading purposes on prices and terms no less favourable than those given to independent third party purchasers.

The prices and terms of these garment sales and purchases have been agreed after arm's length negotiations between the Groups. For the three financial years ended 31st March 2002, the annual trading volume of garment products amounted to approximately HK\$13.50 million, HK\$11.67 million and HK\$13.50 million respectively, representing about 4.32% (restated), 3.41% (restated) and 3.81% of the audited consolidated NTA of YangtzeKiang Garment and about 1.90% (restated), 2.10% (restated) and 1.86% of the audited consolidated NTA of YGM Trading as at their respective financial year ends respectively.

The Groups intend to continue to carry on the Garment Sales by YangtzeKiang Garment Group to YGM Trading Group in the future. The Companies have applied to the Stock Exchange for waivers from strict compliance with Rule 14.25(1) of the Listing Rules and proposed cap amounts of 3% and 1.5% of the latest published audited consolidated NTA of YangtzeKiang Garment and YGM Trading respectively in relation to such sales and purchases.

## **B. Transactions between YangtzeKiang Garment Group and YGM Marketing**

### **1. Garment Sales by YangtzeKiang Garment Group to YGM Marketing**

YangtzeKiang Garment Group has sold garment products to YGM Marketing on an order by order basis for trading purposes on prices and terms no less favourable than those given to independent third party purchasers. The prices and terms of these garment sales have been agreed after arm's length negotiations with YGM Marketing. For the three financial years ended 31st March 2002, the annual sales of garment products amounted to approximately HK\$2.87 million, HK\$8.52 million and HK\$1.64 million respectively, representing about 0.92% (restated), 2.49% (restated) and 0.46% of the audited consolidated NTA of YangtzeKiang Garment as at such financial year end.

YangtzeKiang Garment intends to continue to carry on such garment sales to YGM Marketing in the near future and has applied to the Stock Exchange for a waiver from strict compliance with Rule 14.25(1) of the Listing Rules. YangtzeKiang Garment proposed a cap amount of 3% of the latest published audited consolidated NTA of YangtzeKiang Garment for such sales.

### **2. Garment Purchases by YangtzeKiang Garment Group from YGM Marketing**

YangtzeKiang Garment Group had purchased garments products on an order by order basis from YGM Marketing for trading purposes on prices and terms no less favourable than those obtained from independent third party suppliers since the financial year ended 31st March 2001. The prices and terms of these garment purchases have been agreed after arm's length negotiations with YGM Marketing. For the two financial years ended 31st March 2002, the annual purchases of garment products amounted to approximately HK\$943,000 and HK\$423,000 respectively, which fell below the de minimis threshold set out in Rule 14.24(5) of the Listing Rules.

YangtzeKiang Garment intends to continue to carry on such garment purchases from YGM Marketing in the near future and has applied to the Stock Exchange for a waiver from strict compliance with Rule 14.25(1) of the Listing Rules. YangtzeKiang Garment proposed a cap amount of 3% of the latest published audited consolidated NTA of YangtzeKiang Garment for such purchases.

## **C. Transactions between YGM Trading Group and YGM Marketing**

### **1. Garment Purchases by YGM Trading Group from YGM Marketing**

YGM Trading Group had purchased garments products on an order by order basis from YGM Marketing for trading purposes on prices and terms no less favourable than those obtained from independent third party suppliers during the financial year ended 31st March 2000. The prices and terms of these garment purchases have been agreed after arm's length negotiations with YGM Marketing. For the financial year ended 31st March 2000, the annual purchases of garment products amounted to approximately HK\$169,000, which fell below the de minimis threshold set out in Rule 14.24(5) of the Listing Rules. YGM Trading Group had not purchased any garment products from YGM Marketing during the two financial years ended 31st March 2002.

YGM Trading Group intends to resume the purchase of garment products from YGM Marketing in the near future. YGM Trading has applied to the Stock Exchange for a waiver from strict compliance with Rule 14.25(1) of the Listing Rules. YGM Trading proposed a cap amount of 2% of the latest published audited consolidated NTA of YGM Trading for such purchases.

### **2. Garment Sales by YGM Trading Group to YGM Marketing**

YGM Trading Group has sold garment products to YGM Marketing on an order by order basis for trading purposes on prices and terms comparable to those given to independent third party purchasers. The prices and terms of these garment sales have been agreed after arm's length negotiations with YGM Marketing. For the two financial years ended 31st March 2002, the annual sales of garment products amounted to approximately HK\$419,000 and HK\$1.00 million respectively, which represent approximately 0.08% (restated) and 0.14% of the audited consolidated NTA of YGM Trading as at the respective financial year end.

YGM Trading Group may from time to time sell garment products to YGM Marketing in the future. YGM Trading has applied to the Stock Exchange for a waiver from strict compliance with Rule 14.25(1) of the Listing Rules. YGM Trading proposed a cap amount of 2% of the latest published audited consolidated NTA of YGM Trading for such sales.

## **LICENCE ARRANGEMENT**

Yangtzekiang Garment has entered into the three licence agreements with YGM Trading in relation to the licence of the warehouse and office space situate at 22-24 Tai Yau Street, San Po Kong, Kowloon, Hong Kong owned by Yangtzekiang Garment Group since 31st March 2001. The First Licence Agreement, the Second Licence Agreement and the Third Licence Agreement were entered into on 31st March 2001, 2nd April 2002 and 6th September 2002 respectively. Each of the First Licence Agreement and the Second Licence Agreement was for a term of one year and the Third Licence Agreement is for a term of two years, each from the expiry of the previous licence agreement.

Under each of these licence agreements, Yangtzekiang Garment licensed approximately 90,000 square feet of warehouse and office space to YGM Trading for an annual licence fee and management fee of HK\$4.34 million. The annual licence fee for the financial year ended 31st March 2002 represents approximately 1.23% and 0.60% of the audited consolidated NTA of Yangtzekiang Garment and YGM Trading as at their respective financial year ends. The licence fee and management fee under these licence agreements was determined by the Companies after arm's length negotiations having regard to the government rates, conditions of the building, rental in the neighbouring premises and internal valuation by the Companies.

Details of each of the First Licence Agreement and the Second Licence Agreement should have been disclosed by way of a press notice when such agreement was entered into. The Companies acknowledged that they have inadvertently breached Rule 14.25(1) of the Listing Rules with respect to the First Licence Agreement and the Second Licence Agreement. The directors of both Companies (including their respective independent non-executive directors) consider that terms of the Licence Arrangement are fair and reasonable and in the best interest of the shareholders of their respective companies and the inadvertent breach has no material adverse impact on the financial conditions of their respective company. The Stock Exchange has indicated that it reserves its right to take actions against the Companies and their directors as a result of such breach. The Companies will include details of the Licence Arrangement in their next published annual reports and accounts.

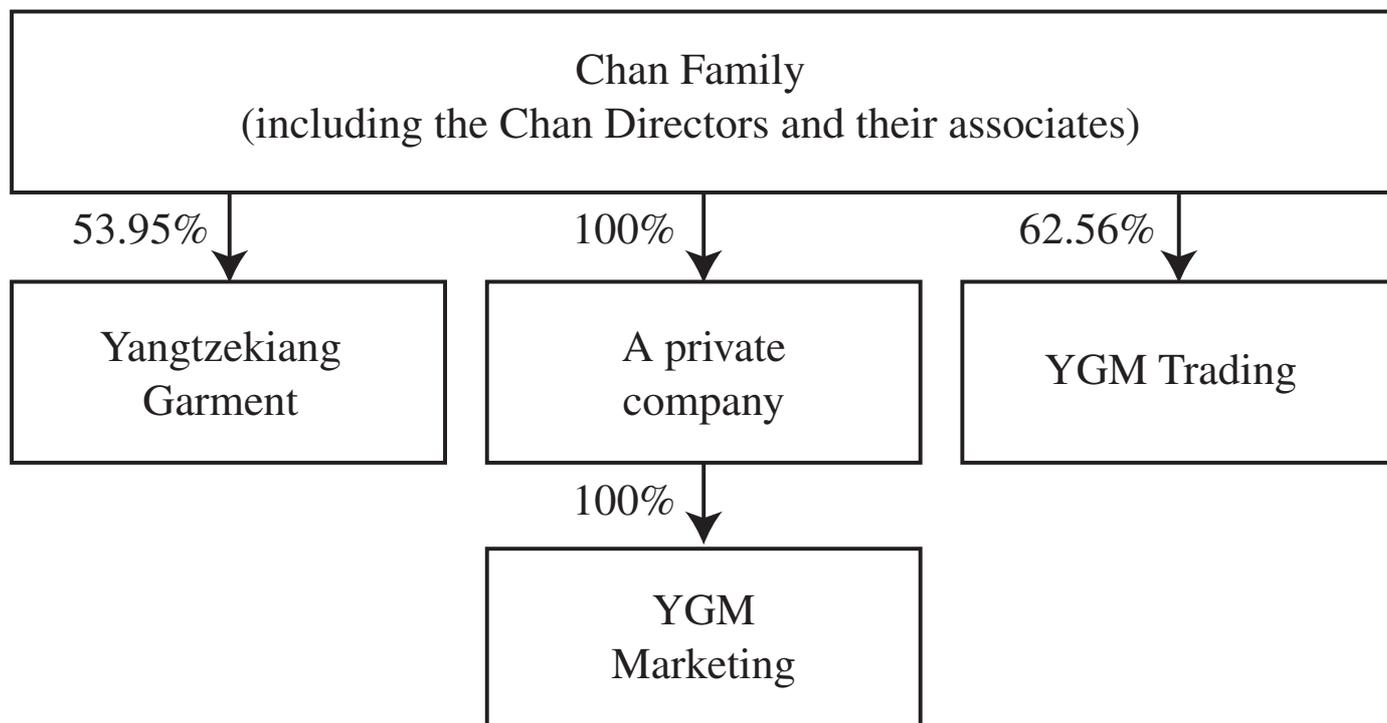
## **PRINCIPAL BUSINESS OF YANGTZEKIANG GARMENT GROUP, YGM TRADING GROUP AND CONNECTION AMONG THE RELEVANT PARTIES**

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 principal businesses of YGM Marketing are manufacturing, retail and wholesale of world-renowned apparel and accessories.

Chan Family's direct and indirect equity interests in each of YangtzeKiang Garment, YGM Trading and YGM Marketing are summarised as follows:



As Chan Family is beneficially interested in shares representing approximately 53.95% 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.

Furthermore, as Chan Family is beneficially interested in the entire issued share capital of YGM Marketing through a private company, YGM Marketing is an associate of Chan Family and a connected person of YangtzeKiang Garment and YGM Trading for the purpose of the Listing Rules.

### **BENEFITS OF THE CONNECTED TRANSACTIONS**

The Companies have entered into and carried out the Connected Transactions in their ordinary course of business and on normal commercial terms. The directors of the Companies (including their respective independent non-executive directors) consider the terms of the relevant Connected Transactions fair and reasonable in so far as the shareholders of their respective companies are concerned.

### **DISCLOSURE REQUIREMENTS AND WAIVERS SOUGHT**

The Licence Arrangement is subject to the disclosure requirements under Rule 14.25(1) of the Listing Rules.

The directors of the Companies (including their respective independent non-executive directors) consider that due compliance with the disclosure requirements under Rule 14.25(1) with respect to the Continuing Connected 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 Rule 14.25(1) respect to the relevant Continuing Connected Transactions on the basis of the following conditions:

1. each of the Continuing Connected Transactions shall be: (a) entered into by YangtzeKiang Garment Group and/or YGM Trading Group (as the case may be) in the ordinary and usual course of their 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 each of the Continuing Connected 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 and YGM Trading:

(a) *YangtzeKiang Garment*

<b>Continuing Connected Transactions</b>	<b>Cap Amounts</b>
(1) Garment Purchases by YangtzeKiang Garment Group from YGM Trading Group (item A1)	2%
(2) Garment Sales by YangtzeKiang Garment Group to YGM Trading Group (item A2)	3%
(3) Garment Sales by YangtzeKiang Garment Group to YGM Marketing (item B1)	3%
(4) Garment Purchases by YangtzeKiang Garment Group from YGM Marketing (item B2)	3%

(b) *YGM Trading*

**Continuing Connected Transactions**

**Cap Amounts**

(1)	Garment Purchases by YangtzeKiang Garment Group from YGM Trading Group (item A1)	1%
(2)	Garment Sales by YangtzeKiang Garment Group to YGM Trading Group (item A2)	1.5%
(3)	Garment Purchases by YGM Trading Group from YGM Marketing (item C1)	2%
(4)	Garment Sales by YGM Trading Group to YGM Marketing (item C2)	2%

3. the independent non-executive directors of the Companies shall review annually each of the relevant Continuing Connected Transactions and confirm in the annual report of the Companies that the such relevant Continuing Connected Transactions were conducted in the manner as stated in paragraph 1 above;
4. the auditors of the Companies shall review the relevant Continuing Connected Transactions annually and confirm to the respective directors in a letter, a copy of which shall be provided to the Stock Exchange, whether: (a) the relevant Continuing Connected Transactions have received the approval of the directors; (b) the relevant Continuing Connected Transactions have been entered into in accordance with the terms of the agreements governing such transactions; (c) no 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;
5. details of the relevant Continuing Connected Transactions in each financial year shall be disclosed in the annual report 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 in the report of the directors 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 its relevant records for the purpose of the auditors' review of the relevant Continuing Connected Transactions referred to in paragraph 4 above.

If any terms of the Continuing Connected 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 must comply with the provisions of Chapter 14 of the Listing Rules governing connected transactions unless they apply for and obtain separate waivers from the Stock Exchange.

## **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
“Connected Transactions”	collectively, the Continuing Connected Transactions and the Licence Arrangement
“Continuing Connected Transactions”	collectively, Garment Purchases by Yangtzekiang Garment Group from YGM Marketing, Garment Purchases by Yangtzekiang Garment Group from YGM Trading Group, Garment Purchases by YGM Trading Group from YGM Marketing, Garment Sales by Yangtzekiang Garment Group to YGM Marketing, Garment Sales by Yangtzekiang Garment Group to YGM Trading Group and Garment Sales by YGM Trading Group to YGM Marketing
“First Licence Agreement”	the licence agreement dated 31st March 2001 between the Companies as described in the section headed “Licence Arrangement” in this announcement
“Garment Purchases by Yangtzekiang Garment Group from YGM Marketing”	the transaction described under item B2 in the section headed “Continuing Connected Transactions” in this announcement

“Garment Purchases by Yangtzekiang Garment Group from YGM Trading Group”	the transaction described under item A1 in the section headed “Continuing Connected Transactions” in this announcement
“Garment Purchases by YGM Trading Group from YGM Marketing”	the transaction described under item C1 in the section headed “Continuing Connected Transactions” in this announcement
“Garment Sales by Yangtzekiang Garment Group to YGM Marketing”	the transaction described under item B1 in the section headed “Continuing Connected Transactions” in this announcement
“Garment Sales by Yangtzekiang Garment Group to YGM Trading Group”	the transaction described under item A2 in the section headed “Continuing Connected Transactions” in this announcement
“Garment Sales by YGM Trading Group to YGM Marketing”	the transaction described under item C2 in the section headed “Continuing Connected Transactions” in this announcement
“Groups”	Yangtzekiang Garment Group and YGM Trading Group
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Licence Arrangement”	the First Licence Agreement, the Second Licence Agreement and the Third Licence Agreement as described in the section headed “Licence Arrangement” in this announcement
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“NTA”	net tangible assets
“Second Licence Agreement”	the licence agreement dated 2nd April 2002 between the Companies as described in the section headed “Licence Arrangement” in this announcement

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Third Licence Agreement”	the licence agreement dated 6th September 2002 between the Companies as described in the section headed “Licence Arrangement” 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 Marketing”	YGM Marketing Pte Limited, a private company incorporated in Singapore
“YGM Trading”	YGM Trading Limited, the shares of which are listed on the Stock Exchange
“YGM Trading Group”	YGM Trading and its subsidiaries
“%”	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, 16th October, 2002

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