
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold all your shares in Peking Apparel International Group Limited (the “Company”), you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



PEKING APPAREL INTERNATIONAL GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 761)

**PROPOSED AMENDMENTS TO THE BYE-LAWS OF THE COMPANY
AND
PROPOSED GRANTING OF GENERAL MANDATE TO REPURCHASE
SHARES AND TO ISSUE NEW SHARES OF THE COMPANY
AND
PROPOSED RE-ELECTION OF RETIRING DIRECTORS
AND
NOTICE OF ANNUAL GENERAL MEETING**

A notice convening the annual general meeting of Peking Apparel International Group Limited (the “Company”) to be held at 501 Harbour Centre Tower 1, 1 Hok Cheung Street, Hunghom, Kowloon, Hong Kong on 31 August 2005 at 10:00 a.m. is set out on pages 13 to 16 of this circular. A form of proxy for use at the annual general meeting is also enclosed. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk).

Whether or not you intend to attend the said meeting, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company’s Branch Share Registrar in Hong Kong, Tengis Limited, at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the said meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the Annual General Meeting.

29 July 2005

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	
1. Introduction	3
2. Proposed Amendments to the Bye-laws	4
3. Proposed Granting of the Buyback and Issuance Mandates	4
4. Proposed Re-election of Retiring Directors	5
5. Annual General Meeting and Proxy Arrangement	6
6. Responsibility Statement	6
7. Recommendation	6
8. General Information	6
Appendix I – Explanatory Statement on the Buyback Mandate	7
Appendix II – Procedure by which the Shareholders may demand a poll at a general meeting pursuant to the Bye-laws	10
Appendix III – Details of retiring Directors proposed to be re-elected at the Annual General Meeting	11
Notice of Annual General Meeting	13

DEFINITIONS

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

“Annual General Meeting”	an annual general meeting of the Company to be held at Unit 1, 5/F, Harbour Centre Tower 1, 1 Hok Cheung Street, Hunghom, Kowloon, Hong Kong on 31 August 2005 at 10:00 a.m., to consider and, if appropriate, to approve the resolutions contained in the notice of the meeting which is set out on pages 13 to 16 of this circular or any adjournment thereof;
“associates”	has the same meaning as ascribed in the Listing Rules;
“Board”	the board of Directors;
“Buyback Mandate”	as defined in paragraph 3(a) of the Letter from the Board;
“Bye-laws”	the Bye-laws of the Company;
“CG Code”	Code on Corporate Governance Practices;
“Company”	Peking Apparel International Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange;
“Companies Ordinance”	Companies Ordinance (Chapter 32 of the Laws of Hong Kong);
“connected persons”	has the same meaning as ascribed in the Listing Rules;
“Court”	has the same meaning as ascribed in the Companies Ordinance;
“Director(s)”	the director(s) of the Company;
“General Mandate Resolutions”	the ordinary resolutions to be proposed and passed at the Annual General Meeting for approving the granting of the Buyback Mandate and the Issuance Mandate to the Directors;
“Group”	the Company and its Subsidiaries from time to time;
“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;

DEFINITIONS

“Issuance Mandate”	as defined in paragraph 3(b) of the Letter from the Board;
“Latest Practicable Date”	20 July 2005, 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;
“SFO”	the Securities and Future Ordinance, Chapter 571 of the Laws of Hong Kong;
“Share(s)”	share(s) of HK\$0.10 each in the capital of the Company or if there has been a subsequent sub-division, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company;
“Shareholder(s)”	holder(s) of Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subsidiary”	a subsidiary for the time being of the Company (within the meaning of Section 2 of the Companies Ordinance), whether incorporated in Hong Kong or elsewhere; and
“Takeovers Code”	The Hong Kong Codes on Takeovers and Mergers issued by the Securities and Futures Commission in Hong Kong.

LETTER FROM THE BOARD



PEKING APPAREL INTERNATIONAL GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 761)

Executive directors:

Char On Man

(Chairman and Managing Director)

So Choi Hing, Stella

Li Wing Tak

Registered Office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Independent non-executive directors:

Woo Michael

Ho Wai Chi, Paul

Chen Yeh Ming, Steve

Head Office and Principal

Place of Business:

Unit 1, 5th Floor

Harbour Centre Tower 1

1 Hok Cheung Street

Hunghom, Kowloon

Hong Kong

29 July 2005

To the Shareholders

Dear Sir or Madam,

**PROPOSED AMENDMENTS TO THE BYE-LAWS OF THE COMPANY
AND
PROPOSED GRANTING OF GENERAL MANDATE TO REPURCHASE
SHARES AND TO ISSUE NEW SHARES OF THE COMPANY
AND
PROPOSED RE-ELECTION OF RETIRING DIRECTORS
AND
NOTICE OF ANNUAL GENERAL MEETING**

1. INTRODUCTION

The purpose of this circular is to provide the Shareholders with information in respect of the ordinary and special resolutions to be proposed at the Annual General Meeting for (i) the amendments to the Bye-laws; (ii) the granting of the Buyback Mandate to the Directors; (iii) the granting of the Issuance Mandate to the Directors; (iv) the extension of the Issuance Mandate by adding to it the aggregate number of the issued Shares repurchased by the Company under the Buyback Mandate; and (v) the re-election of retiring Directors.

LETTER FROM THE BOARD

2. PROPOSED AMENDMENTS TO THE BYE-LAWS

On 1 January 2005, the Listing Rules were amended by, among others, replacing the Code of Best Practice in Appendix 14 with a new CG Code. To bring the constitution of the Company in alignment with certain provisions of the CG Code, the Directors propose to seek approval from the Shareholders at the Annual General Meeting a special resolution to amend the Bye-laws. These amendments, for the purpose of complying with the CG Code and new Rule 13.39 of the Listing Rules, are summarised below:-

- (i) Bye-law 68 is amended to require the chairman to disclose the voting figures on a poll. (Rule 13.39 of the Listing Rules)
- (ii) Bye-law 86 is amended to provide that all Directors appointed to fill a casual vacancy shall be subject to election by Shareholders at the first general meeting, instead of the next following annual general meeting after their appointment and that they shall not be taken into account in determining the number of Directors to retire in each year. (CG Code provision A.4.2)
- (iii) Bye-law 87 is amended to clearly provide that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years in accordance with the CG Code and that the directors holding office as Chairman or Managing Director shall also be subject to retirement by rotation. (CG Code provision A.4.2)
- (iv) Bye-law 122 is amended to provide that a matter should not be dealt with by way of circulation of board resolutions where a substantial shareholder or a director has a conflict of interest in the matter under consideration. (CG Code provision A.1.8)

The proposed amendments to the Bye-laws are stated in the proposed special resolution no. 5 in the notice convening the Annual General Meeting as set out on pages 13 to 16 of this circular. A copy of the Bye-laws will be available for inspection at the Company's principal place of business in Hong Kong at Unit 1, 5th Floor, Harbour Centre Tower 1, 1 Hok Cheung Street, Hungghom, Kowloon, Hong Kong during normal business hours from the date hereof up to and including the date of the Annual General Meeting.

3. PROPOSED GRANTING OF THE BUYBACK AND ISSUANCE MANDATES

At the annual general meeting of the Company held on 26 August 2004, general mandates were granted to the Directors to exercise the powers of the Company to repurchase Shares of the Company and to issue new Shares of the Company respectively. Such mandates will lapse at the conclusion of the Annual General Meeting.

Ordinary resolutions will be proposed at the Annual General Meeting to approve the granting of new general mandates to the Directors:

- (a) to purchase Shares on the Stock Exchange of an aggregate nominal amount of up to 10% of the aggregate nominal amount of the issued share capital of the Company on the date of passing of such resolution (the "Buyback Mandate");

LETTER FROM THE BOARD

- (b) to allot, issue or deal with Shares of an aggregate nominal amount of up to 20% of the aggregate nominal amount of the share capital of the Company in issue on the date of passing of such resolution (the “Issuance Mandate”); and
- (c) to extend the Issuance Mandate by an amount representing the aggregate nominal amount of the Shares repurchased by the Company pursuant to and in accordance with the Buyback Mandate.

The Buyback Mandate and the Issuance Mandate will continue in force until the conclusion of the next annual general meeting of the Company held after the Annual General Meeting or any earlier date as referred to in ordinary resolutions nos. 6 and 7 set out in the notice of the Annual General Meeting. With reference to the Buyback Mandate and the Issuance Mandate, the Directors wish to state that they have no immediate plan to repurchase or issue any Shares pursuant thereto.

In accordance with the requirements of the Listing Rules, the Company is required to send to the Shareholders an explanatory statement containing all the information reasonably necessary to enable them to make an informed decision on whether to vote for or against the granting of the Buyback Mandate. The explanatory statement as required by the Listing Rules in connection with the Buyback Mandate is set out in the Appendix I to this circular.

4. PROPOSED RE-ELECTION OF RETIRING DIRECTORS

Pursuant to Bye-law 87(1), at each annual general meeting of the Company one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation, provided that the chairman of the Board and/or the managing director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. Under Bye-law 87(2), a retiring Director shall be eligible for re-election. The Directors to retire by rotation shall include any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

Pursuant to Bye-law 86(2), the Board has power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or, as an addition to the existing Board. Any Director so appointed by the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Bye-law 87(2) provides that Directors so appointed shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation.

Mr Char On Man, who is the Chairman of the Board shall not be subject to the rotation requirements under Bye-law 87(1). Mr Chen Yeh Ming, Steve was appointed as Director on 16 September 2004 by the Board will hold office until the 2005 Annual General Meeting. Of the remaining four Directors, one Director will be subject to rotation requirement under the Bye-laws. According to the above provision, Mr Ho Wai Chi, Paul, an independent non-executive Director, will retire at the 2005 Annual General Meeting pursuant to Bye-law 87(2). Mr Ho Wai Chi, Paul and Mr Chen Yeh Ming, Steve are eligible for re-election and have offered themselves for re-election at the 2005 Annual General Meeting. The requisite details of Mr Ho Wai Chi, Paul and Mr Chen Yeh Ming, Steve are set out in Appendix III of this circular.

LETTER FROM THE BOARD

5. ANNUAL GENERAL MEETING AND PROXY ARRANGEMENT

The notice of the Annual General Meeting is set out on pages 13 to 16 of this circular. At the Annual General Meeting, resolutions will be proposed to approve, *inter alia*, the proposed amendments to the Bye-laws, the granting of the Buyback Mandate and the Issuance Mandate, the extension of the Issuance Mandate by the addition thereto of the number of Shares repurchased pursuant to the Buyback Mandate and the re-election of the retiring Directors.

A form of proxy for use at the Annual General Meeting is enclosed with this circular and such form of proxy is also published on the website of the Stock Exchange (www.hkex.com.hk). To be valid, the form of proxy must be completed and signed in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority, at the Company's Branch Share Registrar in Hong Kong, Tengis Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the Annual General Meeting or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting at the Annual General Meeting if you so wish.

6. RESPONSIBILITY STATEMENT

This document includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this document 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.

7. RECOMMENDATION

The Directors consider that the proposed amendments to the Bye-laws, the granting of the Buyback Mandate, the granting/extension of the Issuance Mandate and the re-election of the retiring Directors are in the interests of the Company, the Group and the Shareholders. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the Annual General Meeting.

8. GENERAL INFORMATION

Your attention is drawn to the additional information set out in the Appendix I (Explanatory Statement on the Buyback Mandate), Appendix II (Procedure by which the Shareholders may demand a poll at a general meeting pursuant to the Bye-laws) and Appendix III (Details of retiring Directors proposed to be re-elected at the Annual General Meeting) to this circular.

Yours faithfully,
On behalf of the Board
Char On Man
Chairman and Managing Director

This Appendix serves as an explanatory statement, as required by the Listing Rules, to provide requisite information to you for your consideration of the Buyback Mandate.

1. REASONS FOR SHARE BUYBACK

The Directors believe that the proposed granting of the Buyback Mandate is in the best interests of the Company and its Shareholders. Such buybacks may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets and/or earnings per share of the Company and will only be made when the Directors believe that such buyback will benefit the Company and its Shareholders.

2. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 317,035,700 Ordinary Shares of HK\$0.10 each.

Subject to the passing of the ordinary resolution no. 6 set out in the notice of the Annual General Meeting and on the basis that no Shares are issued or repurchased by the Company prior to the Annual General Meeting, the Company would be allowed under the Buyback Mandate to repurchase a maximum of 31,703,570 Shares during the period in which the Buyback Mandate remains in force.

3. FUNDING OF REPURCHASES

In repurchasing Shares, the Company may only apply fund legally available for such purpose in accordance with its memorandum of association and Bye-laws, the laws of Bermuda and other applicable laws.

The Company is empowered by its memorandum of association and Bye-laws to repurchase its Shares. The laws of Bermuda provide that the amount of capital paid in connection with a share repurchase may only be paid out of the capital paid up on relevant shares, or out of the funds of the Company which would otherwise be available for dividend or distribution or out of the proceeds of a fresh issue of Shares made for such purpose. The amount of premium payable on repurchase may only be paid out of funds of the Company which would otherwise be available for dividend or distribution or out of the share premium account of the Company before the shares are repurchased.

There might be material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited accounts contained in the annual report of the Company for the year ended 31 March 2005) in the event that the Buyback Mandate was to be carried out in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the Buyback Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

4. GENERAL

None of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their respective associates, have any present intention to sell any Shares to the Company in the event that the granting of the Buyback Mandate is approved by the Shareholders.

The Directors have undertaken to the Stock Exchange to exercise the Buyback Mandate in accordance with the Listing Rules and the applicable laws of Bermuda.

No connected person has notified the Company that he has a present intention to sell Shares to the Company or has undertaken not to do so in the event that the granting of the Buyback Mandate is approved by the Shareholders.

If, on the exercise of the power to repurchase Shares pursuant to the Buyback Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. As a result, a Shareholder, or group of Shareholders acting in concert, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code for all Shares not already owned by such Shareholder or group of Shareholders.

At the Latest Practicable Date, Mr Char On Man ("Mr Char") and Ms So Choi Hing, Stella ("Ms So"), Directors of the Company were interested in 54,783,000 Shares, representing 17.28% and 3,885,000 Shares, representing 1.23% respectively. By virtue of Mr Char's interest in Wellglow Investments Limited, he is deemed to be interested in 167,832,000 Shares, representing 52.94%. Mr Char is therefore considered to be the controlling shareholder of the Company who holds 70.22% of the Shares issued by the Company.

In the event that the directors exercised in full the power to repurchase Shares of the Company in accordance with the terms of the Ordinary Resolution to be proposed at the Annual General Meeting, the total interests of Mr Char, together with his deemed interest in Wellglow Investments Limited would be increased to 78.02% and the interest of Ms So would be increased to 1.36% of the issued Shares of the Company. The Directors are not aware of any consequences which will arise under the Takeovers Code as a result of any purchases to be made under the Buyback Mandate. In addition, the Directors do not intend to exercise the power to repurchase Shares pursuant to the repurchase mandate to the extent that such repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the issued Shares.

5. MARKET PRICES OF SHARES

The highest and lowest prices at which the Shares have traded on the Stock Exchange in each of the previous twelve months were as follows:

	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
July 2004	0.218	0.180
August 2004	0.206	0.170
September 2004	0.190	0.160
October 2004	0.188	0.174
November 2004	0.215	0.161
December 2004	0.218	0.160
January 2005	0.226	0.190
February 2005	0.232	0.193
March 2005	0.226	0.204
April 2005	0.223	0.192
May 2005	0.210	0.190
June 2005	0.220	0.192
July 2005 (up to the Latest Practicable Date)	0.235	0.201

6. SHARE REPURCHASE MADE BY THE COMPANY

The Company has not purchased any Share (whether on the Stock Exchange or otherwise) in the six months preceding the date of this circular.

**APPENDIX II PROCEDURE BY WHICH THE SHAREHOLDERS MAY DEMAND A
POLL AT A GENERAL MEETING PURSUANT TO THE BYE-LAWS**

The following paragraphs set out the procedure by which the Shareholders may demand a poll at a general meeting of the Company (including the Annual General Meeting) pursuant to the Current Bye-laws.

According to clause 66 of the Current Bye-laws, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by:

- (a) the chairman of such meeting; or
- (b) at least three Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (c) a Shareholder or Shareholders present in person (or, in the case of a Shareholder 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 Shareholders having the right to vote at the meeting; or
- (d) a Shareholder or Shareholders present in person (or, in the case of a Shareholder 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 Shares conferring that right.

**APPENDIX III DETAILS OF RETIRING DIRECTORS PROPOSED TO BE
RE-ELECTED AT THE ANNUAL GENERAL MEETING**

Pursuant to the Listing Rules, the details of the Directors who will retire at the Annual General Meeting according to the Bye-laws and will be proposed to be re-elected at the Annual General Meeting are provided below:

1. Mr HO Wai Chi Paul, aged 54, an independent non-executive Director

Experience

Mr HO Wai Chi, Paul (“Mr HO”) is an independent non-executive Director and a member of the audit committee of the Company. He is the managing partner of Paul W.C. Ho & Company, Certified Public Accountants (Practising), and is an associate member of the Institute of Chartered Accountants in England and Wales, the United Kingdom and a fellow member of the Hong Kong Institute of Certified Public Accountants. He joined the Company as a non-executive director in February 1997.

Mr HO also holds directorships as independent non-executive director of companies listed on the main board of the Stock Exchange which included China Star Entertainment Limited, Ngai Hing Hong Company Limited and Riche Multi-Media Holdings Limited. Saved as disclosed above, Mr HO does not hold any position with the Company or other member of the Group and did not hold any directorship in any listed public company in the last three years.

Length of service

There is no service contract between the Company and Mr HO. Mr HO is not appointed for specific terms since he is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provision of the Bye-laws.

Relationships

Other than the relationship arising from his being an independent non-executive Director as well as a member of the Company’s audit committee, Mr HO does not have any relationships with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling Shareholders (as defined in the Listing Rules) of the Company.

Interests in shares

As at the Latest Practicable Date, Mr HO was not interested or deemed to be interested in any Share or underlying Share of the Company or its associated corporations pursuant to Part XV of the SFO.

Director’s emoluments

The director’s fee of Mr HO as an independent non-executive Director is to be determined by the board of Directors as authorized by the Shareholders at the Annual General Meeting. For the year ended 31 March 2005, Mr HO is entitled to receive a director’s fee of HK\$20,000.

2. Mr CHEN Yeh Ming, Steve, aged 57, an independent non-executive Director*Experience*

Mr CHEN Yeh Ming, Steve (“Mr CHEN”) was appointed as an independent non-executive Director and a member of the audit committee of the Company on 16 September 2004. He is the managing director of Broadway Fur & Fashion Limited. Other than this, Mr CHEN holds directorships in various private companies engaging in various businesses.

Mr CHEN does not hold any position with the Company or other member of the Group and did not hold any directorship in any listed public company in the last three years.

Length of service

There is no service contract between the Company and Mr CHEN. Mr CHEN is not appointed for specific terms since he is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provision of the Bye-laws.

Relationships

Other than the relationship arising from his being an independent non-executive Director as well as a member of the Company’s audit committee, Mr CHEN does not have any relationships with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company.

Interests in shares

As at the Latest Practicable Date, Mr CHEN was not interested or deemed to be interested in any Shares or underlying Share of the Company or its associated corporations pursuant to Part XV of the SFO.

Director’s emoluments

The director’s fee of Mr CHEN as an independent non-executive Director is to be determined by the board of Directors as authorized by the Shareholders at the Annual General Meeting. For the year ended 31 March 2005, Mr CHEN is entitled to receive a director’s fee of HK\$20,000.

Matters that need to be brought to the attention of the Shareholders

There are no other matters in respect of the re-election of Mr HO and Mr CHEN that need to be brought to the attention of the Shareholders.

NOTICE OF ANNUAL GENERAL MEETING



PEKING APPAREL INTERNATIONAL GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 761)

NOTICE IS HEREBY GIVEN that an Annual General Meeting of the Members of Peking Apparel International Group Limited (the “Company”) will be held at Unit 1, 5/F, Harbour Centre Tower 1, 1 Hok Cheung Street, Hungghom, Kowloon, Hong Kong on 31 August 2005 at 10:00 a.m. for the following purposes:

1. To receive and consider the Audited Consolidated Financial Statements and the Reports of the Directors and of the Auditors for the year ended 31 March 2005;
2. To declare a final dividend of 1.0 HK cent per share;
3. (a) (i) To re-elect Mr Ho Wai Chi, Paul as Director;
(ii) To re-elect Mr Chen Yeh Ming, Steve as Director;
(b) To authorise the Board of Directors to fix the Directors’ remuneration;
4. To 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 or without amendments, the following resolution as a special resolution:

“**THAT** the Bye-laws of the Company be amended in the following manner:

- (a) By deleting the existing Bye-law 68 in its entirety and substituting therefor the following:

“68. If a poll is duly demanded, the results of a poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The chairman of the meeting shall announce the results of the poll in accordance with the requirements of the Designated Stock Exchange.”

- (b) By deleting the existing Bye-law 86(2) in its entirety and substituting therefor the following:

“86. (2) The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board, or, subject to authorisation by the Members in a general meeting, as an addition to the existing Board but so that the number of Directors so appointed shall not exceed any maximum number determined from time to time by the Members in a general meeting. Any Director appointed to fill a casual vacancy or as an addition to

NOTICE OF ANNUAL GENERAL MEETING

the Board shall hold office only until the first general meeting of the Company after his or her appointment and shall be eligible for re-election at that meeting. In case the aforesaid Director retires at an annual general meeting, he or she shall not be taken into account in determining the number of Directors to retire at that meeting.”

- (c) By deleting the existing Bye-law 87(1) in its entirety and substituting therefor the following:

“87. (1) Unless and until the Company in a general meeting shall otherwise determine, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third shall retire from office by rotation, provided that every Director (including those appointed for a specific term or holding office as chairman of the Board or managing director) shall be subject to retirement by rotation at least once every three years or within such other period as the Designated Stock Exchange may from time to time prescribe or within such other period as the laws of such jurisdiction applicable to the Company.”

- (d) To add at the end of Bye-law 122 the following:

“Where a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, the matter should not be dealt with by way of circulation of board resolutions pursuant to this Bye-law but a board meeting should be held with the presence of the independent non-executive Directors who and whose associates have no material interest in the transaction.””;

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

“**THAT:**

- (a) subject to paragraph (b) below, the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to purchase its shares, subject to and in accordance with the applicable laws, be and is hereby generally and unconditionally approved;
- (b) the total nominal amount of shares of the Company to be purchased pursuant to the approval in paragraph (a) above shall not exceed 10% of the total nominal amount of the share capital of the Company in issue on the date of passing of 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 earliest of:
- (i) the conclusion of the next annual general meeting of the Company;

NOTICE OF ANNUAL GENERAL MEETING

- (ii) the revocation or variation of the authority given under this resolution by ordinary resolution passed by the Company's shareholders in general meetings; and
 - (iii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held.”;
7. To consider as special business and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

“THAT:

- (a) subject to paragraph (c) below, the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with authorised and unissued 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) above shall authorise the Directors to make or grant offers, agreements and options during the Relevant Period which would or 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 by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to:
 - (i) a Rights Issue (as defined below);
 - (ii) the exercise of options under a share option scheme of the Company; and
 - (iii) any scrip dividend scheme 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 Bye-laws of the Company, shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company on the date of the passing of this resolution and this 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 earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the revocation or variation of the authority given under this resolution by ordinary resolution passed by the Company's shareholders in general meetings; and
- (iii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held;

NOTICE OF ANNUAL GENERAL MEETING

“Rights Issue” means 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 exclusions 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 any relevant jurisdiction or the requirements of any recognised regulatory body or any stock exchange).”; and

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

“**THAT** conditional upon the passing of resolutions nos. 6 and 7 set out in the notice convening this meeting, the general mandate referred to in resolution no. 7 above be and is hereby extended by the addition to the aggregate nominal amount of shares which may be allotted and issued or agreed conditionally or unconditionally to be allotted and issued by the Directors pursuant to such general mandate of an amount representing the aggregate nominal amount of shares purchased by the Company pursuant to the mandate referred to in resolution no. 6 above, provided that such amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution.”.

By order of the Board
Char On Man
Chairman and Managing Director

Hong Kong, 20 July 2005

Notes:

1. Any Member of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a Member of the Company. A Member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him to attend and vote on his behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. To be effective, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, must be deposited at the Company's Branch Share Registrar in Hong Kong, Tengis Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Delivery of the form of proxy shall not preclude a Member of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
3. The register of members of the Company will be closed from Friday, 26 August 2005 to Wednesday, 31 August 2005, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the entitlement to the proposed final dividend for the year ended 31 March 2005 and for attending and voting at the above meeting, unregistered holders of shares of the Company should ensure that all transfers of shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the Company's Branch Share Registrar in Hong Kong, Tengis Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 25 August 2005.
4. In relation to the ordinary resolutions nos. 6, 7 and 8 set out in the above notice, the Directors wish to state that they have no immediate plan to issue any new shares or repurchase any existing shares of the Company.