

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

If you have sold or transferred all your shares in Swank International Manufacturing Company Limited (the “Company”), you should at once hand this circular to the purchaser or other transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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SWANK INTERNATIONAL MANUFACTURING COMPANY LIMITED

恒 光 行 實 業 有 限 公 司

(incorporated in Hong Kong with limited liability)

PROPOSALS INVOLVING

GENERAL MANDATES TO REPURCHASE SHARES AND TO ISSUE SHARES AND AMENDMENT OF ARTICLES OF ASSOCIATION

A notice convening an annual meeting of the Company to be held at Unit 3301, Level 33, Metroplaza Tower I, 223 Hing Fong Road, Kwai Fong, New Territories, Hong Kong, on Friday, 30 May 2003 at 11:30 a.m (the “Annual General Meeting”) is set out from page 3 to 6 of the Company’s 2002 annual report despatched to the Shareholders on 30 April 2003. Whether or not you propose to attend the Annual General Meeting, you are requested to complete and return the form of proxy enclosed in the 2002 annual report of the Company in accordance with the instructions printed thereon to the Company’s registered office at 27th Floor, Henley Building, 5 Queen’s Road Central, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the Annual General Meeting or any adjournment thereof. Completion of the form of proxy shall not preclude you from attending and voting at the Annual General Meeting or any adjourned meeting should you so wish.

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DEFINITIONS

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

“Annual General Meeting”	the annual general meeting of the Company to be held at Unit 3301, Level 33, Metroplaza Tower I, 223 Hing Fong Road, Kwai Fong, New Territories, Hong Kong on Friday, 30 May 2003 at 11:30 a.m.
“Board”	the board of Directors or a duly authorised committee thereof
“business day”	a day (excluding Saturday) on which banks are generally open for business in Hong Kong
“Capital Reduction”	the proposed reduction of capital of the Company by way of cancellation of the paid-up capital to the extent of HK\$0.199 on each existing issued shares and the reduction of the nominal value of all the issued and unissued shares from HK\$0.20 each to HK\$0.001 each as defined in the circular of the Company dated 7 April 2003
“Capital Reorganisation”	the capital reorganisation of the Company as defined in the Company’s circular dated 7 April 2003
“Consolidated Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company upon the Capital Reorganisation taking effect
“Company”	Swank International Manufacturing Company Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Stock Exchange
“Companies Ordinance”	Companies Ordinance Chapter 32 of the Laws of Hong Kong
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	28 April 2003, being the latest practicable date prior to the printing of this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time
“Reduced Share(s)”	new share(s) of HK\$0.001 each in the share capital of the Company immediately after the Capital Reduction
“Repurchase Mandate”	a general mandate to the Directors to exercise the powers of the Company to repurchase shares during the period as set out in the Repurchase Resolution
“Repurchase Resolution”	the proposed ordinary resolution as referred to in resolution no.4(B) of the notice of the Annual General Meeting

DEFINITIONS

“SFO”	Securities and Futures Ordinance Chapter 571 of the Laws of Hong Kong
“Share(s)”	share(s) of HK\$0.20 each in the existing share capital of the Company in issue
“Share Buy Back Rules”	the relevant rules set out in the Listing Rules to regulate the repurchase by companies with primary listing on the Stock Exchange of their own securities on the Stock Exchange
“Share Consolidation”	the proposed consolidation of ten Reduced Shares of HK\$0.001 each created from the Capital Reduction into one Consolidated Shares of HK\$0.01 each as defined in the circular of the Company dated 7 April 2003
“Shareholder(s)”	shareholder(s) of the Company
“Share Issue Mandate”	a general mandate to the Directors to exercise the power of the Company to allot and issue shares during the period as set out in ordinary resolution no.4(A) referred to in the notice of the Annual General Meeting
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeover Code”	the Hong Kong Code on Takeovers and Mergers
“HK\$”	Hong Kong dollars



SWANK INTERNATIONAL MANUFACTURING COMPANY LIMITED

恒光行實業有限公司

(incorporated in Hong Kong with limited liability)

Executive Directors:

Mr. Yau Tak Wah, Paul
Ms. Louie Mei Po
Ms. Wong Shin Ling, Irene
Mr. Tam Wing Kin
Mr. Tam Ping Wah
Mr. Lau Tai Ming, Eddy
Mr. Lim Huat Joo

Registered Office:

27th Floor
Henley Building
5 Queen's Road Central
Hong Kong

Independent Non-executive Directors:

Mr. Kwong Wai Tim, William
Mr. Hahn Ka Fai, Mark

30 April 2003

To the Shareholders

Dear Sir or Madam,

**PROPOSALS INVOLVING
GENERAL MANDATES TO REPURCHASE SHARES
AND TO ISSUE SHARES
AND AMENDMENT OF ARTICLES OF ASSOCIATION**

INTRODUCTION

Pursuant to the Listing Rules and the Companies Ordinance, listed companies incorporated in Hong Kong may in certain circumstances, if authorised by their Articles of Association, purchase their own shares.

On 28 May 2002, general mandates were given by the Company to the Directors to exercise the powers of the Company to repurchase Shares and to issue and allot new Shares. Under the Companies Ordinance and the Listing Rules, these general mandates will lapse at the conclusion of the Annual General Meeting. Ordinary resolutions will therefore be proposed at the Annual General Meeting for the grant of these general mandates.

LETTER FROM THE BOARD

The Securities and Futures (Clearing Houses) Ordinance had been repealed with the coming into effect of the SFO on 1 April 2003. On commencement of the SFO, a recognised clearing house under the Securities and Futures (Clearing Houses) Ordinance, Hong Kong Securities Clearing Company Limited, shall be deemed to have been recognised as a clearing house under the SFO. To reflect the aforesaid change, the Articles of Association of the Company has to be amended accordingly.

The purpose of this circular is to provide you with information regarding the proposed Repurchase Mandate and Shares Issue Mandate and amendment of Articles of Association.

GENERAL MANDATE TO REPURCHASE SHARES

At the annual general meeting of the Company held on 28 May 2002, a general mandate was given by the Company to the Directors to exercise the powers of the Company to repurchase Shares. Such mandate will lapse at the conclusion of the forthcoming Annual General Meeting. The Directors propose to seek your approval of the Repurchase Resolution to be proposed at the Annual General Meeting. An explanatory statement as required under the Share Buy Back Rules and a memorandum of the terms of a proposed purchase as required by Section 49BA(3)(b) of the Companies Ordinance to provide the requisite information of the Repurchase Mandate is set out in the appendix to this circular.

As at the Latest Practicable Date, the issued share capital of the Company comprised 2,232,044,805 fully paid up Shares. Subject to the passing of the Repurchase Resolution and on the basis that no further Shares are issued or repurchased prior to the Annual General Meeting, the Company would be allowed under the Repurchase Mandate to repurchase up to a maximum of 223,204,480 Shares or 223,204,480 Reduced Shares in the event that the Capital Reduction has been approved by the Shareholders at the extraordinary general meeting to be held on 2 May 2003 (or any adjournment thereof) or 22,320,448 Consolidated Shares in the event that the Share Consolidation has also been approved by the Shareholders at the extraordinary general meeting to be held on 2 May 2003 (or any adjournment thereof).

GENERAL MANDATE TO ISSUE SHARES

It will be proposed at the Annual General Meeting two ordinary resolutions respectively granting to the Directors a general mandate to allot, issue and deal with Shares (or Reduced Shares or Consolidated Shares, as the case may be) not exceeding 20% of the issued share capital of the Company at the date of the resolution or upon the Capital Reduction or upon the Share Consolidation of the Company (as defined in the circular of the Company dated 7 April 2003) taking effect, 20% of the issued share capital of the Company in issue immediately upon the Capital Reduction or upon the Share Consolidation taking effect (as the case may be) and adding to such general mandate so granted to the Directors any shares representing the aggregate nominal amount of the shares repurchased by the Company after the granting of the general mandate to repurchase up to 10% of the issued share capital of the Company at the date of the Repurchase Resolution or upon the Capital Reduction or upon the Share Consolidation of the Company taking effect, 10% of the issued share capital of the Company in issue immediately upon the Capital Reduction or upon the Share Consolidation taking effect (as the case may be).

Subject to the passing of the proposed ordinary resolutions as referred in resolutions no.4(B) and no.4(C) of the notice of the Annual General Meeting and on the basis that no further Shares are issued or repurchased prior to the Annual General Meeting and no shares are repurchased under the Repurchase Resolution, the Company would be allowed to issue and allot up to a maximum of 446,408,961 Shares or 446,408,961 Reduced Shares in the event the Capital Reduction has been approved by the Shareholders at the extraordinary general meeting to be held on 2 May 2003 (or any adjournment thereof) or 44,640,896 Consolidated Shares in the event that the Share Consolidation has also been approved by the Shareholders at the extraordinary general meeting to be held on 2 May 2003 (or any adjournment thereof).

AMENDMENT OF ARTICLES OF ASSOCIATION

Under Article (2) of the Articles of Association of the Company, “clearing house” is defined as a recognised clearing house within the meaning of section 2 of the Securities and Futures (Clearing Houses) Ordinance of Hong Kong. With the repeal of the Securities and Futures (Clearing Houses) Ordinance on the coming into effect of the SFO on 1 April 2003, the definition of “clearing house” in the Company’s Articles of Association need to be amended.

It is proposed that the definition of a “clearing house” in the Articles of Association of the Company shall be amended such that reference to the Securities and Futures (Clearing Houses) Ordinance shall be replaced by the SFO.

The proposed amendment to Article (2) of the Articles of Association of the Company is set out in resolution no.5 of the notice of Annual General Meeting.

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.

ANNUAL GENERAL MEETING

The notice of the Annual General Meeting, which contains, inter alia, ordinary resolutions to approve the Repurchase Mandate and the Share Issue Mandate and special resolution to amend the Articles of Association, is set out in the 2002 annual report of the Company despatched to the Shareholders on 30 April 2003.

A form of proxy for use at the Annual General Meeting is enclosed in the 2002 annual report of the Company. Whether or not you propose to attend the Annual General Meeting, you are requested to complete the said form of proxy in accordance with the instructions printed thereon and return it to the registered office of the Company not less than 48 hours before the time fixed for holding the Annual General Meeting. Completion and return of the form of proxy will not prevent you from attending and voting at the Annual General Meeting or any adjourned meeting thereof (as the case may be) should you wish to do so.

RECOMMENDATION

The Directors consider that the grant of the Repurchase Mandate and the Share Issue Mandate and amendment of Articles of Association is in the interests of the Company and its shareholders as a whole and accordingly recommend shareholders to vote in favour of all the resolutions as set out in the notice of Annual General Meeting.

Yours faithfully,
By order of the board of
Swank International Manufacturing Company Limited
Tam Wing Kin
Company Secretary

This appendix serves as an explanatory statement, as required by the Share Buy Back Rules, to provide requisite information to you for your consideration of the Repurchase Mandate and also constitutes the memorandum as required under Section 49BA(3) of the Companies Ordinance.

1. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 2,232,044,805 fully paid up Shares. Subject to the passing of the Repurchase Resolution and on the basis that no further Shares are issued or repurchased prior to the Annual General Meeting, the Company would be allowed under the Repurchase Mandate to repurchase up to a maximum of 223,204,480 Shares or 223,204,480 Reduced Shares or 22,320,448 Consolidated Shares.

2. REASONS FOR REPURCHASES

The Directors believe that the Repurchase Resolution is in the best interests of the Company and the Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the value of the net assets and/or earnings per share and will only be made when the Directors believe that such repurchases will benefit the Company and the Shareholders as a whole.

3. FUNDING OF REPURCHASES

Repurchases must be funded entirely from the Company's available cashflow or working capital facilities which will be funds legally available for that purpose and in accordance with the Companies Ordinance and the Memorandum and Articles of Association of the Company.

The Companies Ordinance provides that the amount of capital repaid in connection with a share repurchase may only be paid from the distributable profits of the company or from the proceeds of a new issue of shares made for that purpose. The Companies Ordinance further provides that the amount of premium payable on repurchase may only be paid out of the distributable profits of the company. Where the repurchased shares were issued at a premium, any premium payable on repurchase may be paid out of the proceeds of a fresh issue of shares made for the purposes of the share repurchase up to certain limits specified by the Companies Ordinance.

It is expected that the Company will fund any repurchase of shares from its internal resources. There may be a 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 for the year ended 31 December 2002) in the event that the Repurchase Mandate were to be exercised in full at any time during the proposed repurchase period. However, the directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or gearing position of the Company as may be determined by the Directors from time to time to be appropriate for the Company.

4. DISCLOSURE OF INTEREST

None of the Directors, nor to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules), has any present intention to sell any Shares to the Company under the Repurchase Mandate if it is approved by the Shareholders.

No connected person (as defined in the Listing Rules) of the Company has notified the Company that he has a present intention to sell any Shares to the Company or its subsidiaries, or have undertaken not to do so, in the event that the Company is authorised to make repurchases of its own shares and the Repurchase Mandate is approved by Shareholders.

5. UNDERTAKING OF THE DIRECTORS

The Directors have undertaken to the Stock Exchange that, so far as the same as may be applicable, they will exercise the power of the Company to make repurchases pursuant to the Repurchase Resolution in accordance with the Listing Rules and the applicable laws of Hong Kong.

6. SHARE PRICES

The highest and lowest prices at which the Shares were traded on the Stock Exchange during each of the twelve months preceding the Latest Practicable Date were as follows:

	Per Share	
	Highest HK\$	Lowest HK\$
2002		
May	0.170	0.068
June	0.153	0.096
July	0.127	0.055
August	0.070	0.048
September	0.088	0.080
October	0.070	0.030
November <i>Note 1</i>	0.070	0.035
December <i>Note 1</i>	N/A	N/A
2003		
January	0.046	0.030
February <i>Note 2</i>	0.031	0.025
March <i>Note 2</i>	0.031	0.010
April	0.010	0.010

Note 1: Trading of Share was suspended from 26 November 2002 to 20 December 2002 and nil share was traded from 21 December 2002 to 31 December 2002

Note 2: Trading of Shares was suspended from 21 February 2003 to 4 March 2003.

7. SHARE REPURCHASE MADE BY THE COMPANY

There have been no repurchase by the Company, or any of its subsidiaries, of any Shares in the six months immediately preceding the date of this circular (whether on the Stock Exchange or otherwise).

8. EFFECT OF THE TAKEOVER CODE

If as a result of the exercise of the power to repurchase shares pursuant to the Repurchase 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 Rule 32 of the Takeover Code. Accordingly, a Shareholder or a 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 Takeover Code.

As at the Latest Practicable Date, to the best of the knowledge and belief of the Company, Probest Holdings Inc., holding approximately 57.9% of the issued share capital of the Company, was the only substantial shareholder holding more than 10% of the issued share capital of the Company. On the basis that no further shares are issued or repurchased and in the event that the Directors should exercise in full power to purchase shares under the Repurchase Mandate, the shareholding of Probest Holdings Inc., together with its associates, in the Company would be increased to approximately 64.3% of the issued share capital of the Company. The Directors are not aware of any consequences which may arise under the Takeover Code as a result of any repurchases of shares made under the Repurchase Mandate.